

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 2004

WEDNESDAY, APRIL 2, 2003

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Ted Stevens (chairman) presiding.

Present: Senators Stevens, Cochran, Domenici, Inouye, and Durbin.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE NAVY

STATEMENT OF HANSFORD T. JOHNSON, ACTING SECRETARY OF THE NAVY

ACCOMPANIED BY:

**ADMIRAL VERNON E. CLARK, USN, CHIEF OF NAVAL OPERATIONS
GENERAL MICHAEL W. HAGEE, USMC, COMMANDANT OF THE MARINE CORPS**

OPENING STATEMENT OF SENATOR DANIEL K. INOUE

Senator INOUE [presiding]. I have just received word that the chairman of the committee is occupied at this moment getting prepared for the supplemental appropriations debate.

So I will open the proceedings, and I thank all of you for being here this morning. We have some new faces, new Navy and Marine Corps leaders with us here today. For the first time, we have with us our Acting Secretary of the Navy, Mr. Hansford Johnson, and General Michael Hagee, Commandant of the Marine Corps. I look forward to working closely with both of you.

I would like to take a moment to recognize and commend the men and women of the Navy and Marine Corps for their selfless service in the war in Iraq and the global war on terrorism. They are doing courageous and valiant work in the Gulf at this very moment and obviously, all of us are extremely proud of their service and their commitment to our Nation, and we wish them and their families the very best as they continue with this difficult and honorable mission.

We are here today to discuss the Navy and Marine Corps fiscal year 2004 budget request. Again, we face challenges as we attempt to strike the appropriate balance between the needs of today and the transformation of tomorrow's fleet. This committee has demonstrated its commitment to our naval forces year after year. As

always, we will want to hear from you about what is included in the budget for the men and women serving in the Department, but we are also interested in discussing the planned size of the naval fleet and the Marine Corps aviation programs.

With that, I look forward to hearing your remarks today and extend to you the apologies of my chairman, and we assure you that we will continue working with you as we maintain the finest Navy and the most courageous Marine forces in the world.

Senator Cochran.

STATEMENT OF SENATOR THAD COCHRAN

Senator COCHRAN. Mr. Chairman, thank you very much. I am pleased to join you in welcoming our distinguished panel of witnesses before the committee today. Secretary Johnson, Admiral Clark, Commandant Hagee, thank you very much for your cooperation with our committee. We are looking forward to your presentation about the budget request for the next fiscal year and your observations about how we can be helpful to ensure that our Navy and Marine Corps remain well-supplied and well-funded with the resources that you need in order to do your part to protect the security of our great Nation, and to continue to successfully wage the war against terror. I think your accomplishments to date have been truly outstanding in every way. You have reflected credit on our country and we thank you for your service.

Senator INOUE. Thank you very much. May we begin with the testimony of the Secretary?

STATEMENT OF SECRETARY JOHNSON

Secretary JOHNSON. Thank you, Senator Inouye, Senator Cochran. It is an honor to appear before you today and update you on the Department of the Navy and discuss our 2004 budget.

Today in the Persian Gulf and around the world, our Nation is served by the most professional and capable naval force in the world. You should take immense pride as you did in your comments, Senator Inouye, with how you helped fund this force and prepare it to do what they are doing today. On behalf of each sailor and Marine, I thank you for your continuing strong support.

The Navy and Marine Corps, alongside their Army, Air Force and Coast Guard partners, are on station in every corner of the world, taking the fight and global war on terrorism to the enemies, determining aggression against our Nation and our allies and representing U.S. interests abroad.

Today, over 68 percent of our ships are underway, including seven deployed carrier groups. Sixty-six percent of Marine operating forces are deployed. The Navy-Marine Corps team's successes are reflective of this strong sustained support that you and the Congress have provided.

As well as on the home front, our dedicated civilian and contractor employees, the great American moms and dads, wives, husbands and children who support these forward deployed defenders of freedom, we are eternally grateful for the hard work and sacrifice that they are making for our Nation each day.

Our people remain our most precious asset. Our ships, submarines, aircraft and ground combat assets are of no value without

them. The 2004 budget sustains the tremendous progress we made in personnel and readiness accounts. We have kept faith with our people by requesting targeted pay raises and further reduction of the out-of-pocket housing expenses. Recruiting goals are being met and retention remains strong. In sum, our Navy-Marine Corps team is well-trained, highly motivated, and meeting the Nation's call.

Having made great strides in our current readiness and personnel programs, we must now turn to recapitalization and modernization. Two-thirds of our Department's top line increases for 2004 is dedicated to increased procurement.

Eleven billion four hundred million dollars is dedicated to shipbuilding. This provides for the construction of seven new ships, two SSBN to SSGN conversions, and the first ship in the cruiser conversion program. Shipbuilding, while not at the optimal ten ships per year, represents a significant increase and a step in the proper direction.

I am also pleased to report that the budget funds 100 new aircraft, it sustains the MV-22 program, continues development of the joint strike fighter, and continues a procurement process for the advanced amphibious assault vehicle. Moreover, we are pressing ahead with innovative ways to ensure that we are not locked into purchasing platforms whose electronic sensor and weapons systems are obsolete upon delivery.

We are moving forward to procure ships not as a total package, but in the phased approach, the sea frame or hull followed by the weapons and followed by electronics. This new strategy will allow us to acquire our systems in the right way and insert them at the right time in the construction process.

The budget reflects careful balancing of competing demands and risks. This is most evident in our decision to accelerate the retirement of the oldest, least capable and most maintenance-intensive ships. We are convinced that by selecting near-term divestment of platforms least relevant to our future is the fastest and most efficient way to recapitalize and modernize, and transform the Navy and Marine Corps without compromising our ability to accomplish the ongoing missions.

In total, the retirement of legacy systems and application of transformational business practices will result in savings of \$1.9 billion. More importantly, the budget builds the concept of transformation into our recapitalization and modernization.

This commitment to transformational platforms includes the next generation aircraft carrier, the CVN-21, the DDX, which is the centerpiece of the Navy's future family of ships, and the Littoral combat ship, LCS, which is the newest member of our family of ships and is designed from the outset as a focused mission ship that uses reconfigurable mission modules to counter the most challenging threats in Littorals.

In aviation, we continue to move forward with the joint strike fighter, the advanced Hawkeye upgrade program, and this year we are introducing the EA-18G, which will replace the EA-6B Prowler, which is our most maintenance-intensive aircraft in the fleet today.

Force Net is a future architecture that will enable netcentric warfare throughout our forces.

PREPARED STATEMENT

We have made some difficult choices in the 2004 budget request. We have carefully crafted it to sustain advances made in personnel, quality of life and readiness, to balance the risk while divesting legacy systems and concepts to invest in shipbuilding, aircraft procurement and transformational technologies, all to achieve the total force that the future demands.

We look forward to working with you as we move forward. Thank you, sir.

[The statement follows:]

PREPARED STATEMENT OF HANSFORD T. JOHNSON

NAVY-MARINE CORPS TEAM: NATIONAL SEAPOW—AROUND THE WORLD, AROUND THE CLOCK

INTRODUCTION

The Navy-Marine Corps Team continues to provide extraordinary service and value to our Nation. Throughout the past year our Naval Forces have distinguished themselves around the globe, and our Sailors and Marines operating in the air, on and under the sea, and on the ground—including our space cadre—remain at the leading edge of the Global War on Terrorism. They have demonstrated the full effect of their lethal power, from the blue water to the littorals and well beyond, engaging and destroying the enemy in areas that previously would have been considered sanctuaries from sea-based forces. At a time of great consequence for our Nation, our Navy and Marine Corps not only have “answered the call,” but have done so while improving our combat readiness and retaining our Sailors and Marines at historic rates.

Our successes in the Global War on Terrorism, while significant, have not been achieved in isolation. We have worked alongside, in partnership, with our sister Services to realize the true potential of joint, interoperable forces in the new environment of 21st Century warfare. The superior operational and personnel readiness levels we have been able to sustain are directly reflective of the strong, sustained support of the Congress. In fiscal year 2004, we seek your support for the President’s budget request to sustain the gains made to date, improve those areas where shortfalls remain, and continue transforming the Navy and Marine Corps for the 21st Century.

In the balance of this statement we will describe the significant accomplishments the Navy and Marine Corps have realized during the past year, the improvements in our warfighting readiness and capabilities that are supported by the President’s fiscal year 2004 budget request, and some details of our plans to transform and prepare for the challenges of the future. In assessing our request, it is important to note that our focus is on improving our ability to operate as an agile, lethal and effective member of a broader, networked joint warfighting force. To that end, we have given priority to the following overarching goals:

- Successfully prosecuting the Global War on Terrorism while sustaining our current readiness;
- Recapitalizing, modernizing and transforming our Navy and Marine Corps to meet the challenges of the future;
- Fully networking our forces at sea and ashore to operate seamlessly in a joint and coalition environment;
- Continuing to invest in our Sailors and Marines; and
- Sustaining the quality of our operational training.

In pursuing these principal objectives, we had to make some difficult tradeoffs within our proposed program. However, our fiscal year 2004 budget request is the best balance possible among important, but often competing priorities.

CONTEXT FOR THE FISCAL YEAR 2004 BUDGET REQUEST: SUCCEEDING IN A TIME OF GREAT CONSEQUENCE

Last year, our Navy and Marine Corps forces built on the historic response of our Sailors and Marines following the September 11, 2001 attacks on our Nation. Today,

our forces continue leading the way on the front lines of the Global War on Terrorism. More than half of our Navy operating forces and over sixty percent of the Marine Corps operating forces are currently deployed around the globe. Since the beginning of Operation ENDURING FREEDOM more than 90,000 Sailors and Marines and 100 Navy ships have deployed in support of ongoing operations. Nine of our 12 aircraft carriers and half of our 12 Amphibious Ready Groups have seen action in this worldwide conflict. Additionally, over 5,000 members of the Naval Reserve and 15,000 members of the Marine Corps Reserve have been activated in support of these operations.

Even after the effective defeat of the Taliban and the liberation of Afghanistan, our Naval Forces, whether sea-based or on the ground, continue their missions. For example, Marines from the 4th Marine Expeditionary Brigade (Anti-Terrorism) provide support and security for the U.S. State Department and the U.S. Embassy in Kabul, while others serve in Tactical Air Operations Detachments in support of air and Naval Special Warfare operations in Afghanistan.

While the Global War on Terrorism remains our principal focus, the Navy-Marine Corps team still operates extensively, as in the past, representing U.S. interests throughout the world. In Southwest Asia, we maintained continuous carrier presence, conducting combat operations over Iraq in support of Operation SOUTHERN WATCH. At the same time, naval task forces continued Maritime and Leadership Interdiction Operations supporting United Nations economic sanctions against Iraq for the eleventh straight year. In addition to these operational commitments, over 2,000 Marines participated in EAGER MACE 2002, an amphibious assault exercise in Kuwait in late September 2002.

During May through August 2002, over 1,400 Sailors, Marines, and Coast Guardsmen participated in the eighth annual Cooperation Afloat Readiness and Training (CARAT) exercise with countries including the Philippines, Thailand, Singapore, Indonesia, Malaysia and Brunei. Marines from the Third Marine Expeditionary Force participated with all CARAT nations in landing force operations as well as providing a Marine Security Element to advise and assist the armed forces of the Philippines in their efforts against global terrorism.

In the Mediterranean, Navy ships, including surface combatants, submarines and patrol craft operated with friends and allies in over 60 exercises with NATO and Western European nations to enforce United Nations sanctions in the Federal Republic of Yugoslavia. Marines from the 24th Marine Expeditionary Unit (Special Operations Capable) demonstrated their capability to offload and move inland to reinforce Kosovo Forces' security requirements.

Our ability to sustain the preceding breadth of capabilities, from combat operations to peacetime coalition-building exercises, came as a result of difficult choices we made—choices that have proven wise by the manner in which history unfolded last year. As you recall, in last year's budget we placed great emphasis on fixing some of the chronic problems that had been threatening our long term ability to man, operate and sustain the fleet we have today. We made a conscious decision to give the highest priority to our personnel and current readiness accounts. Within our critical procurement accounts we undertook a major effort to make the foundations for our shipbuilding programs healthy, even at the expense of being able to procure only five new ships in fiscal year 2003. While Congressional support for supplemental appropriations did much to decrease our maintenance backlog and fill our spare parts bins, we fully recognize our fiscal year 2003 plan devoted fewer resources toward recapitalization than either the Department or the Congress would have wished. Having made that difficult prioritization we committed to translating a healthy procurement base in fiscal year 2003 into earnest recapitalization in fiscal year 2004. We have kept that promise.

FISCAL YEAR 2004 BUDGET: BUILDING FROM A SOLID FOUNDATION

The Department's fiscal year 2004 budget request reflects an increase of \$3.5 billion above the amount provided in the fiscal year 2003 Defense Appropriations Act. It also reflects the Department's commitment to get the most out of every dollar provided by the American taxpayers. We do not come to the Congress with "hat in hand," but rather with a responsible request, optimally balanced across an entire department of competing priorities. In this budget request we have proposed an additional \$1.9 billion for our priority programs with funds identified through our own rigorous cost savings and divestiture initiatives.

Together, these sources of additional funds have enabled us to "turn the corner" in our most pressing recapitalization efforts. Two-thirds of our top line increase is dedicated toward increased procurement. This budget request reflects two more new construction ships and five more aircraft than appropriated by Congress last year.

It increases our funding for transformational R&D initiatives by a half billion dollars while consolidating the critical gains in personnel and current readiness achieved in last year's budget. The following represents the priority funding in fiscal year 2004 for the Department of the Navy:

- We propose 7 new construction ships and 100 new aircraft;
 - We propose significant transformational capabilities, including the next-generation aircraft carrier (CVN-21), the next-generation destroyer (DD(X)), the Littoral Combat Ship (LCS), two more SSBN-to-SSGN conversions, the Joint Strike Fighter (JSF), the V-22 Osprey, the Advanced Amphibious Assault Vehicle (AAAV) and the Advanced Hawkeye (E-2C) Program;
 - The Administration proposes a range of military pay increases from 2.0 percent up to 6.25 percent, targeted by rank and years of service, and additional reductions in out-of-pocket housing costs from 7.5 percent to 3.5 percent;
 - We propose sustained funding for our key operational readiness accounts, including an increase by over \$200 million for aviation depot maintenance;
 - We implement Navy-Marine Corps Tactical Aviation Integration, a process that will maximize our combat power, optimize the core capability of Naval aviation forces, and introduce 200 modern aircraft across the fiscal year 2004-fiscal year 2009 program;
 - We improve the quality of our operational training through our Training Resource Strategy, and provide \$61 million in fiscal year 2004 toward this end.
- Highlights of our fiscal year 2004 budget request are provided in the sections below.

Current Readiness

The fiscal year 2004 budget request builds upon the best successive two years in readiness budgets in more than a decade. It funds an OPTEMPO of 54.0 days per quarter for our deployed forces. This level supports the Global Naval Forces Presence Policy in terms of Carrier Battle Group (CVBG) and Amphibious Ready Group (ARG) availability as required by national security policy. However, accelerated deployment timelines and increased OPTEMPO will cause current year execution to run ahead of the existing plan.

Funding for ship maintenance will achieve more than 96 percent of the fiscal year 2004 notional goal. This reflects a virtually identical posture as compared to last year, both in terms of percent accomplishment and quantity of backlog remaining. The aggregate level of funding for ship maintenance declines from fiscal year 2003 to fiscal year 2004, due in part to the positive effects of the additional maintenance funding provided in supplemental appropriations in the previous year, and in part to the accelerated retirement of our oldest, least capable, and most maintenance-intensive ships.

Accelerating the retirement of these ships was one of the most difficult decisions we made in building this year's budget. While aggregate warfighting capability is a better metric than the number of ships in our inventory, we recognize that below a certain threshold numbers do matter. However, our analyses indicate that the near-term inactivations we are proposing provide an acceptable level of risk without compromising our ability to accomplish our mission, and that the fastest and most efficient way to recapitalize and transform the Fleet is to pursue vertical cuts in our least capable type-model series, both in ships and in aircraft, and apply those savings toward procuring new ships and aircraft.

The growing sophistication of potential threats, increasing complexity of modern warfare, advances in training technology, and the development of new weapons and tactics require more capable training facilities and methodologies. Under the leadership of Fleet Forces Command, the Department has produced the Training Resource Strategy (TRS), a multi-year plan to improve inter-deployment training for CVBGs, ARGs and Marine Expeditionary Units (MEUs). The Department is committed to implementing and fully funding these improvements.

The training technology, range and facility improvements programmed via the TRS will ensure the long-term combat readiness and effectiveness of our deploying forces and produce a training capability superior to that existing today. The fiscal year 2004 budget will ensure deploying forces are fully prepared for the challenges of armed conflict in the 21st Century.

Personnel Readiness

Our ships, submarines and aircraft have no "asset value" to the nation until manned by trained, educated, and motivated people. Sailors and Marines—along with our civilian workforce—remain the strong and steady foundation of our naval capabilities. The families of our service members also are vital to our readiness. It is a fact that we recruit Sailors and Marines, but we retain families, and we recog-

nize that the effectiveness of our forces is dependent in large measure on the support they receive from their loved ones.

Over the past two years we realized significant gains in the manpower arena that translated directly into increased personnel readiness. In the process of maintaining an increased readiness posture while transforming Anti-Terrorism/Force Protection positions, Navy operated just below the Congressionally-allowed maximum end-strength flexibility in fiscal year 2002. Doing so permitted us to sustain CVBG and ARG manning readiness near 100 percent. Our ability to surge deploy forces around the globe in response to recent events is testimony to the success of our personnel readiness posture. Over the course of fiscal year 2003 and 2004, we anticipate end-strength will decrease slightly to reflect force structure changes.

Active Duty.—The Navy and Marine Corps met recruiting and accession goals in 2002, and continue to attract America's finest young men and women to national service. The Marine Corps notched its seventh year of meeting monthly and annual recruiting goals. Navy achieved its recruiting goals for a fourth consecutive year. Both Services are well positioned for success in meeting 2003 officer accession requirements. The Sailors and Marines entering active duty truly represent our country's best and brightest. In 2002, 92 percent of Navy's enlisted accessions were high school graduates (up from 90 percent in 2001), while the Marine Corps accessions of high school graduates rose 1.3 percent to 97.5 percent.

Retention rates in 2002 remained at record levels, with 58 percent of eligible first-term Sailors deciding to "stay Navy." The Marine Corps met retention goals in 2002 in record time, achieving its highest occupational specialty match to date while also experiencing its highest officer retention rate in 18 years. Sailors and Marines have a sense of purpose and the desire to serve during this critical juncture in our nation's history. We provide them unique opportunities to grow professionally and personally, to achieve and be recognized, and to lead. They see improvements to their quality of service, and they appreciate the outstanding compensation and benefits provided to them and to their families. Our recruiting and retention success is reflected in the fully manned and operationally capable CVBGs and ARGs currently on station around the globe.

We are fully committed to providing the finest education and training for these bright young minds, as befits their place as future leaders of the Navy and Marine Corps. Graduation from "Battle Stations" or the "Crucible" is but the first step toward achieving the technologically advanced force required to conduct naval warfare in the 21st Century. Our "Revolution in Training" is establishing a career-long learning continuum, ensuring the continuous personal and professional development of every service member.

Successful as we are in attracting and retaining the best, we must not lose focus on people programs. Our immediate goals include:

- Increase Navy recruit high school graduation rates from 92 percent to 94 percent. Maintain Marine Corps recruit high school graduation rates between 97 percent and 98 percent;
- Increase the percentage of enlisted Navy recruits with previous college experience or technical/vocational training;
- Continue the Training Transformation started by Navy Task Force EXCEL (Excellence through Commitment to Education and Learning), and Marine Corps training continuum synchronization, including partnering with industry and academia to impart individual training and education;
- Continue to develop a live, virtual and constructive training environment both within the Department and for use in conjunction with the Joint National Training Capability; and
- Explore innovative manning initiatives such as the Optimum Manning program, which relies on new technologies and creative leadership to reduce ship manning.

Congressional support for a targeted pay raise in fiscal year 2004, which recognizes and reaffirms the value of our career force, is critical to staying the course. So, too, is continuing the reduction of out-of-pocket housing expenses and the extension and enhancement of essential special pay and bonus authorities. Selective Re-enlistment Bonus remains an important tool for retaining our critical skill personnel.

Reserves.—Our reserve community remains an integral part of our Navy and Marine Corps team, with 88,000 Naval Reservists and 40,000 Selected Marine Corps Reservists serving today. The seamless integration of the reserve and active components as a Total Force in the Global War on Terrorism has been a resounding success. The dedicated service, invaluable resources, and selfless sacrifices to duty each of these "citizen Sailors and Marines" provides on a daily basis are integral to operational success. We have recalled over 26,000 Navy and Marine Corps Reservists

as of mid-March 2003. These patriots have provided force protection, staff augmentation, intelligence, and warfighting skills to the Nation's war efforts.

The Naval Reserve constitutes 19 percent of the Navy's Total Force, with an additional 69,000 Sailors serving as Individual Ready Reservists (IRRs). In 2002 the Naval Reserve met both its officer and enlisted recruiting goals, the result of significant recruiting program efforts. These reserve forces provide our inter-theater airlift, harbor defense, Naval embarked advisory teams, and Naval Coastal Warfare capabilities. In addition, a large portion of the Navy's port cargo handling support, Mobile Construction Battalions, intelligence, and medical capabilities are resident in the reserves.

The Selected Marine Corps Reserve comprises nearly 25 percent of the Marine Corps' warfighting capability, with an additional 58,000 Marines serving as Individual Ready Reservists (IRRs). The Marine Corps Reserve's contribution to the Global War on Terrorism continues with individuals and units mobilized to provide a wide variety of support. The additional mobilization of hundreds of Individual Mobilizations Augmentees and IRRs provided a critical surge of ready expertise and staff augmentation to warfighting commands, both Joint and Marine.

Civilian Personnel.—The civilian workforce, currently totaling approximately 186,000, forms an essential role as part of our Total Force. Hard-working and dedicated civilian employees can be found in every major command, working alongside our Sailors and Marines, performing the vital work of the Department. We continually refine and shape this vital work force for current and future missions. Twenty-one civilian occupational groups are targeted specifically for intensive active management. These include science and engineering, logistics, contracting, human resources, and financial management. Just as it is essential to recruit and retain the very best Sailors and Marines, it also is essential to recruit and retain the best and brightest civilians. We are in a competition for talent, and your support for a flexible set of civilian human resource management tools that will reward unconventional thinking will enhance our efforts to hire, develop, and retain this quality work force. The National Security Personnel System that is being considered would provide these tools in our competition for talent.

Shipbuilding

The fiscal year 2004 budget request provides funding for seven new construction ships, the final two of four planned SSBN-to-SSGN conversions, and the first ship in our Cruiser Conversion program. In all, our shipbuilding program includes \$11.4 billion, a significant increase above last year. Additionally, we invest more than \$1.5 billion for Research and Development (R&D) in transformational shipbuilding programs such as CVN-21, DD(X), LCS and SSGN, discussed later in this statement. The seven new ships include:

- Three ARLEIGH BURKE Class (DDG-51) destroyers. These ships are being procured as part of a multi-year procurement (MYP) of 10 DDG-51 ships over the period fiscal year 2002 through fiscal year 2005. In addition to the cost savings from this MYP, the Navy and its two principal DDG builders successfully negotiated a workload swap arrangement in June 2002 in which General Dynamics' Bath Iron Works will transfer LPD-17 ship construction work to Northrop Grumman Ship Systems in exchange for additional DDG-51 work. This arrangement will optimize production efficiencies and stabilize workload at all shipyards building DDG-51 and LPD-17 Class ships.
- One VIRGINIA Class (SSN-774) fast attack submarine. The fiscal year 2004 ship marks the initial year of a seven-ship, five-year MYP that will achieve significant savings while increasing submarine procurement to two per year starting in fiscal year 2007. The first VIRGINIA Class submarine (SSN-774) will deliver in June 2004.
- One SAN ANTONIO Class (LPD-17) amphibious transport dock. The fiscal year 2004 budget provides full funding to procure the sixth ship of this class. The program is on track, and represents an urgently needed contribution to the Marine Corps' amphibious lift requirements.
- Two LEWIS AND CLARK Class (T-AKE) auxiliary cargo and ammunition ships. Fiscal year 2004 funding procures the fifth and sixth ships of this class to continue recapitalization of our support fleet. Delivery of the lead ship is expected in fiscal year 2005.

Beginning in fiscal year 2004, the Cruiser Conversion Program will provide selected TICONDEROGA Class Aegis-equipped cruisers with essential land attack, force protection, and Area Air Defense Commander capabilities, extending their mission-relevant service life to 35-plus years.

Beyond the new construction ships and conversions, the fiscal year 2004 budget request provides additional incremental funding for LHD-8, service life extension

for three Landing Craft Air Cushioned, and initial R&D efforts on the LHA Replacement (LHA(R)), scheduled for procurement in fiscal year 2007. In LHA(R) the Department is pursuing a far more capable replacement for aging amphibious ships such as the LHA. While the initial stages of design move forward, LHA(R) will offer many improvements over the LHA it will replace, and will set the stage for further development toward a new design that could offer capabilities such as concurrent flight operations of helicopters and fixed wing aircraft.

Aircraft

The Department's fiscal year 2004 budget maximizes the return on aviation investment, primarily through the use of MYP arrangements for the F/A-18E/F (both airframe and engine), the E-2C, and the MH-60S. We also have agreed to enter a joint MYP contract with the Air Force to procure KC-130Js to replace the Marine Corps' fleet of KC-130F/Rs. In all, the fiscal year 2004 budget procures 100 new aircraft, including: 53 tactical, fixed wing aircraft (42 F/A-18E/F, 2 E-2C and 9 MV-22); 28 helicopters (13 MH-60S, 6 MH-60R and 9 UH-1Y /AH-1Z); 16 trainer aircraft (15 T-45 and 1 T-39); and 3 support aircraft (2 UC-35 and 1 C-40A).

The F/A-18E/F Super Hornet is the Navy's principal tactical aviation recapitalization program until we get to the JSF. The fiscal year 2004 budget includes \$3.0 billion for 42 planes, which constitutes the final installment of an fiscal year 2000-fiscal year 2004 MYP contract. Deliveries remain ahead of schedule, and the first squadron of F/A-18E/F recently conducted combat operations aboard USS ABRAHAM LINCOLN (CVN-72). Of note, a variant of the F/A-18 airframe, the EA-18G, has been selected as the Navy platform to replace the aging EA-6B Prowler. By using a common airframe, the EA-6B follow-on will deliver at lower cost while providing growth potential for improved future electronic warfare systems. The Marine Corps expects to fly the EA-6B (ICAP III) until approximately 2014 to 2015 before transitioning to a new Electronic Attack aircraft.

Based on successful flight testing results, the Department felt confident to continue the minimum sustaining rate for the V-22 Osprey program and has requested nine MV-22s along with two CV-22s requested by the Air Force. Additionally, fiscal year 2004 funding supports key elements of the Department's helicopter master plan. We have requested procurement of 13 MH-60S platforms (organic mine countermeasures, combat search and rescue, special operations and logistics missions) and 6 MH-60R platforms (tactical support missions for surface combatants and aircraft carriers). Together, these will continue replacing the Department's aging fleet of H-46, SH-3, SH-60B and SH-60F helicopters. Fiscal year 2004 will mark the first year of procurement in the AH-1Z/UH-1Y program. These aircraft improve many capabilities for the Marine Corps, including increased payload, range and time on station, improved sensors and lethality, and 85 percent component commonality.

Weapons

The fiscal year 2004 budget request supports the Department's objective to develop, upgrade and replace weapons and weapon systems to ensure we maintain our warfighting edge.

Our precision guided munitions inventory will continue to improve in fiscal year 2004 as the Tactical Tomahawk (TACTOM) system ramps up to full rate production. TACTOM will accelerate the transition of our land attack missile inventory from the older Tomahawk Land Attack Missile to the newer, more capable, less costly TACTOM. The budget request sustains the maximum Department of the Navy production rate for the Joint Direct Attack Munition of 1,000 units per month while procuring over 5,000 Laser Guided Bomb kits. Production of the Joint Standoff Weapon (JSOW) baseline variant (dispenser) increases in fiscal year 2004, and the JSOW unitary variant (penetrator) enters full rate production.

Several land attack R&D efforts central to future littoral warfare continue in fiscal year 2004. Advanced naval gun technologies will enhance fire support to Marines operating ashore. Evolving toward a fiscal year 2005 "shoot-off," either the Extended Range Guided Munition or the Autonomous Naval Support Round will enhance the range and accuracy of Navy 5-inch guns. The Advanced Gun System will provide the next generation of surface combatants with a modular, large caliber gun system including an automated magazine handling system.

Key Warfighting "Core Competencies"

While the fiscal year 2004 budget request devotes a significant amount of resources toward recapitalizing and transforming to meet future requirements, it also provides solid support for our longstanding naval "core competencies" of Anti-submarine Warfare (ASW), Mine Warfare (MIW), Ship Self Defense (SSD) and Air Defense (AD).

ASW.—ASW remains a challenging mission area, particularly in the shallow water littoral regions populated by modern, quiet submarines. The fiscal year 2004 budget request supports numerous improvements in ASW. The Improved Extended Echo-Ranging is incorporated into the USQ-78B Acoustic Processor, which will improve large area acoustic search capability on our Maritime Patrol Aircraft. Further enhancements to our capability for large area search will be provided by acquiring the Automatic Periscope Detection and Discrimination system. Additionally, the capability for our surface combatants to survive attacks from threat torpedoes will be enhanced through the Surface Ship Torpedo Defense effort. The success of the Acoustic Rapid COTS Insertion (A-RCI) program in providing significant improvement in ASW sensor processing for our submarine force has spawned similar efforts in submarine combat control, communications, and upgrades to the surface fleet's SQQ-89 combat suite. These programs validate the Navy's decision to use commercially available technology to deliver superior performance at less cost.

MIW.—The Navy continues to make advances in MIW capabilities, and our emphasis on organic capabilities to counter the growing mine threat is enhancing our ability to "get to the fight." The fiscal year 2004 budget continues the development and acquisition of the Long-Term Mine Reconnaissance System (LMRS), which is on track for an fiscal year 2005 IOC on LOS ANGELES Class submarines. LMRS will provide a clandestine reconnaissance capability for mines and mine-like objects. The fiscal year 2004 budget also includes funding for the development and acquisition of the Remote Mine-hunting System (RMS), a surface ship—launched and recovered semi-submersible vehicle. RMS has an fiscal year 2005 IOC with near-term fielding planned for DDGs 91–96. RMS also is a strong candidate for future deployment on the Littoral Combat Ship (LCS). To meet the Department's goal of an organic mine warfare capability by fiscal year 2005, the fiscal year 2004 budget continues the development and integration of five Organic Mine Subsystems into the MH-60S platform.

SSD.—We continue to invest in upgrading our Ship Self Defense programs. Fiscal year 2004 funding covers the spectrum from electronic countermeasures to missiles to guns. The Surface Electronic Warfare Improvement Program (SEWIP) is a spiral development effort initiated to provide a robust, full spectrum electronic warfare system following cancellation of the Advanced Integrated Electronic Warfare System in fiscal year 2002. SEWIP will build on the legacy SLQ-32 system to field capabilities against next-generation threats. The current budget expands procurement of the Close-in Weapons System, Block 1B. The internationally-procured Rolling Air Frame Missile will provide ship self-defense against missiles as part of a layered defense. Additionally, we are pursuing installation of minor caliber guns on our deploying ships to improve our ability to counteract a small boat threat in the 0 to 8,000 yards range. We soon will install stabilized minor caliber guns on two DDGs.

AD.—The fiscal year 2004 budget requests funds to develop the Extended Range Active Missile (ERAM). ERAM will enable over-the-horizon engagements against the most advanced anti-ship and land attack cruise missiles, and represents an important step in projecting area defense landward from the sea.

Maneuver Warfare

The fiscal year 2004 budget supports the continued development and fielding of all equipment used by the Marine Corps' maneuver forces. This year we identify approximately \$340 million for R&D and procurement of the Advanced Amphibious Assault Vehicle (AAAV). Last year we procured the first AAAV, which will serve as a full-up system, live-fire test vehicle. We will procure 186 systems over the remainder of the fiscal year 2004-fiscal year 2009 program. Scheduled for IOC in fiscal year 2008, the AAAV will provide a unique combination of offensive firepower, nuclear-chemical-biological protection, and high speed mobility on land and on sea.

The fiscal year 2004 budget will fund the next 60 Lightweight 155 mm (LW155) Howitzers. These units will provide significant improvements in Marine Corps fire support over the current M198 system. Compatible with all United States and NATO 155 mm rounds, the smaller footprint of the LW155 will reduce strategic sea-lift requirements while providing improved accuracy and greater lethality.

C4I, Space and Network Initiatives

The Department's Command, Control, Communication, Computers, and Intelligence (C4I) and space programs are an integral part of network centric operations, enhancing the combat capability of our Naval Forces and serving as critical enablers of a transforming Navy and Marine Corps. Our concept of Information Technology for the 21st Century (IT-21) is providing a common backbone for C4I systems to be linked afloat, ashore, and to the Internet. IT-21 combines satellite and line-of-sight communication paths with commercial IT hardware and software to establish secure

and unclassified Internet Protocol network connectivity for ashore and mobile Naval forces. This is a critical first step toward transformational network centric operations.

Our next major objective is to integrate the successes of IT-21 and incorporate them across the full spectrum of naval operations to achieve significant improvement in knowledge management and operational performance. This full dimensional approach, called FORCEnet, will provide the operational construct and architectural framework for naval warfare in the information age. We will address FORCEnet in greater detail later in this statement.

Support from space is essential to many Navy and Marine Corps operations today, and grows increasingly important as the force becomes more network centric. The fiscal year 2004 budget supports the Department's expanding efforts in space, including assured, high data rate satellite communications, precision navigation and targeting, intelligence, surveillance and reconnaissance systems and environmental support.

The fiscal year 2004 budget continues critical enhancements that will provide our forces with a common tactical picture. Cooperative Engagement Capability (CEC) will provide real time exchange of fire control quality data between battle force units and will permit a single, identical tactical picture. The Block 2 version will reduce cost, size and weight, with procurement beginning in fiscal year 2006. The Naval Fires Control System and Joint Fires Network will use existing fire control infrastructure to serve as the nerve center for surface land attack by automating shipboard land attack battle management duties, incorporating improved land attack weapons systems, and utilizing battlefield digitization.

The Navy/Marine Corps Intranet (NMCI) serves as the principal element of the IT-21 effort ashore and is a key enabler of IT transformation. Business Case Analyses conducted over the last two years have demonstrated that the NMCI strategy, characterized by having a single private sector entity provide IT services under a long-term commercial seat management contract is, in fact, a sound business decision compared to the way IT requirements previously were satisfied. Last year Congress approved a two-year extension to the base performance period of the original NMCI contract, extending coverage through fiscal year 2007. Fiscal year 2004 funding of \$1.6 billion continues user seat roll-out and cutover to the NMCI architecture. Progressing toward a target end-state of 365,700 seats.

Missile Defense Initiatives

The Department of the Navy is poised to contribute significantly in fielding initial sea-based missile defense capabilities to meet the near-term ballistic missile threat to our homeland, our deployed forces, and our friends and allies. We are working closely with the Missile Defense Agency (MDA) to upgrade six DDGs in calendar year 2004 and another six in calendar year 2005 for ICBM surveillance and tracking duties. We also are supporting MDA's procurement of up to 20 Standard Missile interceptors to provide a limited at-sea capability to intercept ballistic missiles in the ascent and mid-course phases of flight. Finally, USS LAKE ERIE (CG-70) will be assigned to MDA to facilitate a more robust testing program for missile defense. Our sea-based missile defense programs experienced tremendous success on the test range during 2002, and we look forward to building on these successes to accelerate development of this vital capability for our Nation.

Shore Infrastructure

The Department remains dedicated to maintaining and improving the quality of our support to Sailors and Marines. Maintaining and improving an aging infrastructure, while recapitalizing our operating forces, requires disciplined choices and innovative approaches.

The fiscal year 2004 housing program continues the Department's course toward the goal of eliminating inadequate family housing by 2007. The Navy's three-pronged strategy of improving allowances to service members, privatizing, and continuing traditional military construction is proving very successful. Increased Basic Allowance for Housing (BAH) is spurring local communities to provide necessary housing on the open market. Recent analysis shows we have reduced the total requirement for government furnished housing by over 9,500 units.

Public/Private housing ventures are allowing us to achieve more with less commitment of resources. In fiscal year 2003 we will privatize over 10,400 homes in five locations; in fiscal year 2004 we are increasing this by another 7,000 units. Where BAH and privatizing do not apply we are renovating or replacing our inventory.

We are building on our successes in Family Housing to help achieve our Homeport Ashore Program. Three bachelor housing pilot projects are being considered that could increase the number of spaces in San Diego, Norfolk and Camp Pendleton.

The fiscal year 2004 Military Construction and Sustainment program reflects difficult but necessary trade-offs between shore infrastructure and fleet recapitalization. The Department remains committed to achieving a 67-year recapitalization rate by fiscal year 2008. In pursuing that goal we will explore innovative solutions to provide safe, efficient installations for our service members, including design-build improvements, more efficient facilities and BRAC land sales via the GSA Internet.

Business Practices

We have embarked on a mission to improve the business practices of the Department. Every dollar saved by working smarter or by ending outdated methods of operations is another dollar that can be used for our Sailors and Marines to equip, train or fight.

Information is key to improving the way we do business. Better information makes for better decision making, both on the battlefield and at the budget table. We have four pilot programs in place utilizing enterprise resource planning, or ERP, which aim to improve the quality of information available to our decision makers. These pilot projects will eliminate dozens of incompatible computer databases and the business processes that once supported those databases. Even more importantly, ERP should produce financial and managerial information that is more complete, more accurate and more timely. Our focus now is on converging these pilots to achieve even greater synergy of management information across a broader spectrum of the Department, and working with the Department of Defense Comptroller to ensure these efforts are advancing the uniform business management architecture under development.

In addition to better information, we need flexible and innovative tools to help manage the Department. Some of these tools, like strategic sourcing, are being used already. Competition helps achieve the best quality support to the Sailor and Marine at the lowest possible cost by introducing the discipline of the marketplace. The acquisition process still needs considerable reform. We owe it to every Sailor and Marine to ensure that today's technology arrives in their hands today, not tomorrow. It still takes too long from lab to live fire. Finally, the Navy and Marine Corps need better tools to recruit and manage the civilians who support our warfighter.

This year's budget request includes reforms that will allow us to continue to improve business practices. These proposed reforms include increasing Operations and Maintenance appropriations from one-year to two-year money and consolidating Military Personnel accounts from ten to four accounts. These initiatives would allow more effective management and execution of these programs.

NAVAL POWER 21: A TRANSFORMATIONAL VISION FOR THE 21ST CENTURY

Fundamentally, our Navy and Marine Corps exist to control the seas, assure access, and project power beyond the sea. Our vision, Naval Power 21, is built upon three pillars:

- We assure access. We assure sea-based access worldwide for military operations, diplomatic interaction, and humanitarian relief efforts.
- We fight and win. We project power to influence events at sea and ashore both at home and overseas.
- We are transforming continually to improve. We are transforming concepts, organizations, doctrine, technology, networks, sensors, platforms, weapon systems, training, education and our approach to people.

Although the Navy and Marine Corps team remains the greatest maritime force in the world, the emerging challenges of the 21st Century demand a joint, netted, power projection force that offers modern and ever-evolving combat capability. Together, under the supporting service visions of Seapower 21 and Marine Corps Strategy 21, we will provide funding for a full array of transformational initiatives in our R&D, investment and operational programs. Evidence of the scope and magnitude of these changes is highlighted by our transformation: from a single new class of destroyer to a family of surface combatants tailored for the full range of 21st Century missions; from a Cold War force of 18 SSBNs to a 21st Century force of 14 SSBNs and 4 SSGNs; from evolutionary aircraft carrier improvements to the revolutionary promise of CVN-21; from no ballistic missile defense (BMD) capability to limited sea-based BMD capability; and from competing Navy and Marine Corps tactical aviation to an integrated Naval tactical aviation.

Transformational Capabilities to Assure Access and Project Power

The Navy and Marine Corps continue to meet the imperative of transformation. Our "way ahead" for the future capitalizes on transformational ideas that facilitate our recapitalization goals. The fiscal year 2004 budget request includes funding for

initiatives in shipbuilding, aviation and C⁴I that promise dramatic improvements in assuring access and projecting power.

In shipbuilding, we are fulfilling the President's stated goal to "skip a generation" of technology by restructuring our previous two-step (CVNX-1 and CVNX-2) evolutionary acquisition approach into a single transformational ship design that accommodates continuous evolution through the life of the class. The new design, named CVN-21, sustains the original development and construction schedule from CVNX-1, but accelerates many critical technologies previously planned for the second step ship, CVNX-2. CVN-21 will feature a new propulsion plant, a greatly expanded electrical generation and distribution system, a new/enlarged flight deck, an improved sortie rate generation over CVNX-1, an electro-magnetic aircraft launching system (EMALS), a new advanced arresting gear, improved weapons and material handling systems, and improved survivability features—all with 800 fewer crew members. In support of this technology acceleration we have added significant funding across the fiscal year 2004 to fiscal year 2009 program while providing \$1.5 billion in fiscal year 2004 alone.

The centerpiece warship of our future surface combatant "family of ships," the DD(X), is on track to move to an initial construction contract award in fiscal year 2005. Fiscal year 2004 funding of \$1.05 billion will enable further development of key electric drive, power grid, and combat system components. Through a spiral development acquisition process, DD(X) will be the principal technology engine that will feed the entire family of ships.

The fiscal year 2004 budget requests approximately \$160 million in R&D to begin moving out with the next member of our future surface combatant "family of ships," the Littoral Combat Ship (LCS). A networked, lethal, small, fast, stealthy, and highly maneuverable ship, LCS will be designed from the keel up as a focused mission ship capable of employing manned and unmanned mission modules to counter some of the most challenging anti-access threats our naval forces may encounter close to shore—mines, quiet diesel submarines and swarming small boats. Last year, we continued experimenting with a range of innovative hull forms, and the Congress supported us so we could get the program moving this year, avoiding a critical one-year delay. The fiscal year 2004 effort will be aimed at defining requirements, improving our knowledge base for selecting an LCS design, and beginning mission module development.

The fiscal year 2004 budget request contains nearly \$1.2 billion for SSGN-to-SSBN conversion. This effort will provide a near-term transformational capability to the Nation by removing four OHIO Class submarines from their strategic mission, refueling their reactors to permit an additional 20 years of operation, and converting them into conventional strike platforms capable of carrying more than 150 Tomahawk missiles and deploying over 60 special operations forces. Funding to commence the first two conversions was provided in fiscal year 2003; this year's request supports the conversion of the third submarine and the advance procurement and planning for the final overhaul in fiscal year 2005.

The fiscal year 2004 budget provides \$2.2 billion to continue development of the Joint Strike Fighter (JSF), a stealthy, multi-role fighter aircraft designed to be an enabler for Naval Power 21. JSF replaces the Navy's F-18A/C Hornet variants and the Marine Corps' AV-8B Harrier and F/A-18C/D Hornet while complementing the Navy's F/A-18E/F Super Hornet. JSF offers dramatic improvements in affordability and supportability. It has completed all major milestones to date on time, and remains on track to IOC for the Marine Corps in 2010 and for the Navy in fiscal year 2012.

A critical enabler of transformational intelligence, surveillance and reconnaissance, the E-2C Advanced Hawkeye Program will provide a robust overland capability against current and future cruise missile-type targets. The fiscal year 2004 budget invests over \$350 million for continued development. IOC is planned for fiscal year 2008 with a total procurement of 66 systems.

As the Global War on Terrorism has demonstrated, unmanned technology will play an ever-increasing role in the battleground of the 21st Century. The Department's fiscal year 2004 budget invests more than \$300 million across a series of Unmanned Aerial Vehicle (UAV) programs, including Tactical UAVs, Maritime Surveillance UAVs and an Unmanned Combat Air Vehicle (UCAV) initiative, developed in partnership with the U.S. Air Force. Beneath the sea, we will invest more than \$80 million in Unmanned Undersea Vehicles (UUVs) that are being developed to enhance capabilities in minefield reconnaissance and other submarine missions.

Transformational Organizations and Operational Concepts

Beyond pure technology, transformation also includes revolutionary methods for achieving dramatically greater utility out of our existing assets. The Department's

initiative to integrate its tactical aviation capabilities is one such transformational story. Navy and Marine Corps Tactical Air Integration will maximize forward deployed combat power and optimize the core capability of naval aviation forces. Its positive impact will be felt across the Department's entire tactical aviation enterprise, from leaner, more capable fighting formations to streamlined procurement requirements (tactical and training) to manpower savings. In total, this innovative program promises to save \$975 million over the fiscal year 2004-fiscal year 2009 program and provide approximately \$19 billion in cost avoidance from fiscal year 2007-fiscal year 2012.

To support the ability of forward based naval forces to respond to a host of scenarios, the Navy and Marine Corps are exploring more robust strike capabilities for the ARG/MEU team. The Expeditionary Strike Group pairs the traditional ARG with surface combatants and an SSN so the force has greater capability to conduct independent operations in the "deter" and "swiftly defeat" scenarios outlined in our defense strategy.

FORCEnet is the Department of the Navy's catalyst for operational transformation. In the realm of network centric warfare and operations, it will enable orders of magnitude increases in combat power to ensure decisive influence and warfighting success across the full spectrum of military operations in the information age. FORCEnet is not a system. It is the architecture by which we will integrate our sensors, networks, decision aids, weapons and warfighters into a networked, distributed combat system, scalable across the entire range of conflict from seabed to space and sea to land. Leveraging powerful network infrastructure ashore, including NMCI and the various constituents of IT-21, with legacy and developing tactical networks at sea, including those as diverse as CEC, Joint Fires Network and the E-2C Advanced Hawkeye Program, FORCEnet will bring a dramatically expanded "toolbox" of capabilities to the joint warfare commander. Through FORCEnet the Navy and Marine Corps will transform to a joint, netted, distributed and forward stationed force.

Transformational Initiatives for our People

Sea Warrior is the process of developing 21st Century Sailors. Curriculum Mapping is the Marine Corps equivalent. These initiatives identify the knowledge, skills, and abilities needed for mission accomplishment; apply a career-long training and education continuum; and employ a responsive, interactive career management system to ensure the right skills are in the right place at the right time.

Modern Naval Forces are manned by streamlined teams of Sailors and Marines who fight and manage some of the most complex systems in the world. We need Sailors and Marines who are highly educated and expertly trained. They must be creative thinkers and life-long learners, and it is for them that we undertook the Revolution in Training. They also deserve a human resource management and detailing system that provides information and choice, both to the Sailor and gaining commands, so that informed career decisions can be made. To this end, we are moving toward an interactive and incentivized distribution system that includes team detailing, web job listings, an information call center, and comprehensive and extensive engagement of our detailers with individual Sailors to help shape their careers.

At sea, we are exploring two initiatives that promise a revolution in the way we man our ships. First, we have begun an "Optimal Manning Experiment" on board USS MILIUS (DDG-69) and USS MOBILE BAY (CG-53) to develop a more efficient model for the shipboard manning requirements of the 21st Century. Also, we have begun a crewing experiment, entitled "Sea Swap," in which we will deploy two destroyers for 18 months consecutively, rotating the entire crews at six-month intervals. This initiative will realize significant operational savings by avoiding multiple six-week transits to and from the deployed operating areas.

Transformational Initiatives for Doing Business

Our ability to recapitalize and transform stems in large measure from a vigorous divestiture program that forced us to make hard choices across every facet of the Department's operations. We looked hard at older systems with their limited capabilities and high infrastructure costs (maintenance, parts, training, etc.) and ultimately decided to accelerate retirement of 11 ships and 70 aircraft. We reorganized and then reduced the Secretary of the Navy Headquarters Staff by 25 percent. We divested ourselves from more than 50 systems and eliminated 70,000 legacy IT applications from an original baseline of 103,000. In the aggregate, these difficult decisions yielded \$1.9 billion for reinvestment in higher priorities.

In addition to divestiture initiatives, we are transforming the way we manage the entire Department's internal affairs. Perhaps nowhere is this more evident than in our shipbuilding programs. Instead of locking ourselves into "pre-ordained obsoles-

cence” through rigid designs for hull, combat and information systems that take years to execute, we are capitalizing on computer-aided, design-build strategies in which we harvest commercial, “state-of-the art” technologies and insert them at the optimum time as the construction process moves from hull to combat system suite to information systems. We have undertaken some remarkable initiatives within our acquisition community that have stabilized key industrial bases, expanded our ability to capitalize on the best commercial practices, and laid a strong foundation for controlling the costs of our major acquisition programs.

We are working with industry as partners across the full breadth of our shipbuilding programs. The tri-partite agreement between Navy, General Dynamics and Northrop Grumman stabilized both our DDG-51 and LPD-17 programs, avoided a “second lead ship” challenge for the LPD program, and produced savings sufficient to purchase a third DDG in fiscal year 2004 and fiscal year 2005. We are working with the software industry to open all Navy architectures. These efforts are intended to lead to the development of a truly open architecture that can be shared between all of our current and future combatant ships. Finally, we have imposed a discipline on ourselves that severely limits change during the critical phases of our major shipbuilding programs. This discipline also has been implemented in the JSF program through a configuration steering board. By controlling the scope and timing of change, we hope to implement necessary changes in our programs in a planned fashion where we know what it will cost and how we will install it in the most economical manner.

Through these transformational business initiatives and others, our Department will emerge with an optimal force structure; a healthy industrial base and an efficient and appropriately sized infrastructure.

THE WAY AHEAD: POSITIONING TODAY’S NAVY AND MARINE CORPS FOR TOMORROW’S CHALLENGES

Although the Global War on Terrorism is closer to the beginning than the end, our Navy and Marine Corps, as members of our nation’s joint battle force, have disrupted terrorist networks and freed the people of Afghanistan. Our Nation can take pride that, in 2002, the Navy-Marine Corps Team continued its record of combat excellence, improved operational readiness and retained our magnificent people at historic rates.

Much has been accomplished, but much remains to be done. The Department’s fiscal year 2004 budget request positions today’s Navy and Marine Corps to support tomorrow’s joint warfighting environment by sustaining hard-fought advances in personnel and operational readiness, investing in critical shipbuilding and aircraft programs, fueling transformational capabilities, and building a global, agile and fully networked force. As our Navy and Marine Corps Team confronts a future with challenges already visible on the horizon, we thank you for your terrific support of our Naval Forces, and urge your continued support for the course upon which we have embarked to fight and win our nation’s wars while preparing to meet the demands of an uncertain tomorrow.

Senator STEVENS [presiding]. Yes, sir. Who is next, Admiral Clark?

STATEMENT OF ADMIRAL VERNON E. CLARK

Admiral CLARK. Thank you, Chairman Stevens, Senator Inouye, Senator Cochran. Good morning. I am privileged to be here this morning to talk about our Navy and to talk about it in the context of the Navy-Marine Corps team. Mr. Chairman, I like to tell folks that the man sitting at the other end of the table is my number one joint partner, and I am extremely pleased and honored to be able to serve along General Mike Hagee, and especially at a time like this with what the Marine Corps is accomplishing in the theater of operations.

This morning, Mr. Chairman, 54 percent of my Navy is forward deployed. As Secretary Johnson just talked about, they are forward deployed, they are at the tip of the spear, and they are doing what they are supposed to be doing and that is carrying out the orders of the President of the United States.

And of course, most of them are engaged in Operation IRAQI FREEDOM. They are striking the enemy. They are providing close air support for Marines and Army troops, for coalition partners. They are clearing the sea lanes. They are providing supplies and logistics and are protecting our joint coalition forces at sea and on land. They remain ready, they are ready, and they are part of a very effective joint combined force.

On the night before hostilities commenced, I passed a note to Secretary Rumsfeld and I said to him, Mr. Secretary, I have never seen our Navy as ready as it is today. And I never have. And I would just want to say to this committee that I am extraordinarily appreciative of the partnership that has been crafted by the leaders of America who have put the resources in place to see to it that we have the kind of ready Navy that we have today. And I can tell you that earlier in my career, I have not seen a time that we would have been able to surge this force forward with the kind of readiness statistics that we are realizing today, and I believe that the return on investment is showing itself on the battlefield and on the oceans in Operation IRAQI FREEDOM.

Of course as Senator Inouye said, today we are here to talk about the 2004 investment strategy. What we are seeing in Iraqi Freedom is the return on investment from previous investments. Today we are here to talk about the 2004 investment plan.

I would like to focus on two areas, two areas for investment.

Number one, people. Secretary Johnson talked about the things that are going on in our Navy. Seventy-seven thousand of our sailors are deployed in the theater of operations and about 10,500 reserves, and they are taking the fight to the enemy. I just want to say that Congress' attention to their pay, to allowances, to housing, to infrastructure and the things, the tools that allow them to do the job, have made a difference, and the quality of life and quality of work for our sailors and families is good and improving.

I just want to also say that our sailors are responding to the signals that they are receiving from the citizens of the United States and from the Congress. We are enjoying as I sit here this morning, the best retention, the best manning that I have ever witnessed in my career. Three straight years now of record retention, never better in our 227-year history of our institution. Last month, first-term retention in my Navy was 79 percent, and for this fiscal year it has been 76 percent. Never in our history have we had anything like this.

I want to say that at the heart of our readiness is our manpower readiness, the readiness of our people. It did not happen by accident, it happened because of actions by leaders of America. Our ships and squadrons are fully manned. They have been able to surge forward on a moment's notice.

Most noteworthy, the response by the United States Marine Corps and Amphibious Task Force East and West are great indicators of how ready the Navy and the Marine Corps team were at the time and are now in the battlefield.

But I would like to say that numbers alone is not enough, and we have struck out on programs committed to the growth and the development of our people, of our skilled work force, and it is making a difference. We are focusing on something called sea warrior,

I detailed it my written testimony. It is about a 21st century revolution, and it is about new and innovative techniques in growing and developing people. It is about getting the right skills in the right place and at the right time.

And so, my conclusion of all this is that the unprecedented success that we are realizing in the battle for people has been spearheaded by the incredible readiness postures that we realize today. The challenge for us is to sustain the gains that we have achieved in the past couple of years in readiness and manpower, while focusing on the second thing I want to talk to you about, and that is, it is time to focus on our future and that is modernizing and transforming the force.

That leads us to capital investments in hardware, ships, airplanes, submarines. Programs that needed to mature, that were not where we wanted them to be. And I want to say that this committee specifically helped us deal with the very difficult problem in prior year shipbuilding costs, you helped us fix it, and it is paying dividends this morning. Building approaches to improve the industrial base. We are grateful for the way this committee has helped us put ourselves on a solid foundation so that we can move forward with transforming the United States Navy.

Our strategy for the future is detailed in our vision for the Navy, Sea Power 21, and again, it is detailed in my written testimony which is a matter of record and I will not go into detail with it this morning, except to say this: It is about the commitment to being on the offense. I call that sea strike, projecting offensive power.

It is happening this morning with long range tac air, and Tomahawks launched a thousand miles or more. And it is about the United States Marine Corps and what they are doing projecting power. It is about sea shield, and that is projecting defensive power, a new strategic capability, tracking missiles over land. This morning we are operating in concert with the United States Army on those missiles that have been launched on our forces. The capability that we have seen in testing over the last year in missile defense is, in fact, in place on the battlefield providing tracking, and in partnership with the United States Army.

And of course we cannot forget that it is about clearing the Littoral, of mine threats, and the humanitarian assistance that is going on right now, and has been seen on television. One of the reasons it is happening is because the mine warfare, the people executing the mine warfare function and application have been performing superbly.

And then it is about sea basing. I call that projecting American sovereignty from the sea, going where we need to go, where we want to go. The operational independence that comes from operating from the maritime domain. And so, the Marine Corps and the Navy are committed to exploiting the maritime battle space to the advantage of U.S. joint and combined forces in the future. This year's investment strategy is committed to building toward that vision of tomorrow.

Starting with the family of ships for the 21st century. The Secretary mentioned it, DDX, the heart of the family of ships. And the Littoral combatant ship that is designed to deal with the kind of threats that we are facing in the first part of the 21st century, de-

signed to deal with the asymmetric threats that are going to come after us. Built with plug and play technology from the beginning, built and conceived for unmanned vehicles, unmanned air vehicles, unmanned surface vehicles, unmanned underwater vehicles. That is the family of ships spiraling to CGX.

And of course the Secretary mentioned EA-18G, a very important development in this program. And the new carrier. And there is an exciting future detailed for the Navy and the Marine Corps with the family of ships there, the replacement LHA and maritime preposition forces for the future, and the importance of LPD-17 that is now a healthy robust program, with the first ship soon to be launched here in a couple months. Submarine programs, the exciting Virginia class and the new SSGN.

So the challenge for us is figuring out how to find the resources, and of course that is what this committee is all about. And I just want you to know that we are trying to do our part. We are trying, we are working to find resources and make sure that we are putting resources in the right place to make our readiness what it needs to be today and for the future.

We are challenging our people to innovate and to find deficiencies, and to get as much combat readiness as we can out of every dollar that is given to us by the taxpayers of the United States of America. And I would just say that the biggest example of that is Navy-Marine Corps tac air integration. This is a story that, you know, we could talk about for 30 minutes, but the bottom line is this program, this partnership between the Navy and Marine Corps will save billions of dollars and make us more combat ready in the future.

So Mr. Chairman and committee members, in summary, your Navy is ready today. It is forward deployed, it is on scene, and it is carrying out in concert with the other services and our coalition partners Operation IRAQI FREEDOM. We are focused on the future while prepared for today, and the young men and women of our Nation's Navy are serving on the point today with distinction, and I am extremely proud of them.

PREPARED STATEMENT

I thank you again for your continued support and for your roles as leaders of America in helping us create today's Navy, and I look forward to your questions.

[The statement follows:]

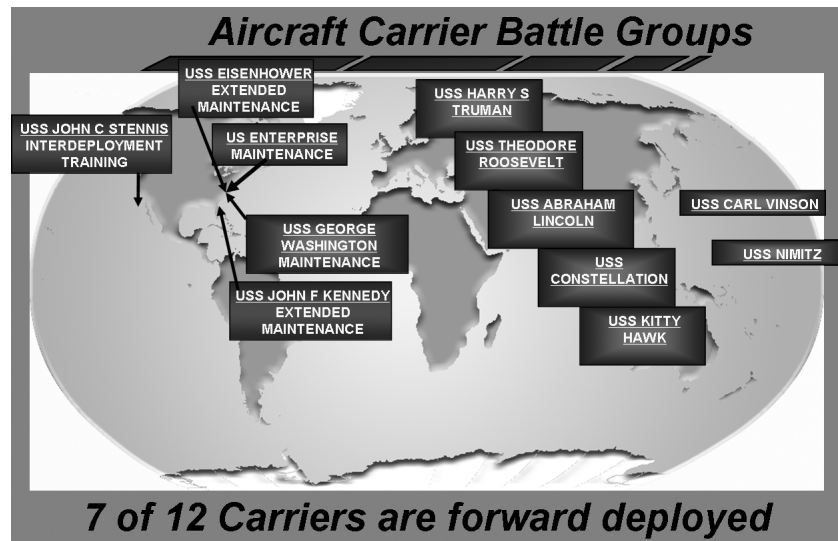
PREPARED STATEMENT OF ADMIRAL VERNON E. CLARK

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear today. The investment you've made in America's Navy has been vital to the nation's security and your Navy's ability to project more power, more protection and more freedom to the far corners of the earth. I speak for the entire Fleet in thanking you for your exceptional and continuous support.

I: Your Navy Today—Enhanced Capabilities for the Joint Force

This is a time of tremendous challenge and accomplishment for our Navy. Our men and women have been waging the Global War on Terrorism for well over a year and now they are in combat in Operation Iraqi Freedom (OIF). They are on the front lines of the first wars of the 21st Century, serving with determination and distinction, leading the defense of America away from our own shores and our own homes.

Today, there are 164 ships on deployment, over half of the Navy; this includes seven of twelve aircraft carriers, and nine of our twelve big deck amphibious ships (LHA/LHD). They are deployed in support of the nation's interests in the Persian Gulf, the Mediterranean, the Indian Ocean and the Western Pacific. Still others are preparing for deployment or continuing operations like strategic deterrent and counter-drug patrols in support of other national imperatives.



Our Navy is ready for these missions today and is preparing for the difficult future challenges that lie ahead. After all, this new century is fraught with profound dangers: rogue nations in possession of weapons of mass destruction, potential conflict between regional competitors, widely dispersed and well-funded terrorist organizations, and failed states that deliver only tyranny and despair to their people.

We frequently talk about the asymmetric challenges such enemies might present, assuming these advantages belong only to potential adversaries. Your Navy possesses asymmetric strengths all its own: its persistence, precision, independence and agility are but a few.

More importantly, our naval strengths are critical to our joint combat effectiveness. Our forward deployed, combat ready naval forces—sustained by naval and civilian shipmates around the world—are proving every day the unique and lasting value of sovereign, lethal forces projecting offensive and defensive power from the sea.

There are numerous recent examples of the enhanced capability our Navy brings to the joint force.

—In Operation Iraqi Freedom, the ABRAHAM LINCOLN, CONSTELLATION, KITTY HAWK, THEODORE ROOSEVELT and HARRY S. TRUMAN battle groups are providing persistent and credible combat power to the joint force commander. The USS NIMITZ is speeding to the Central Command's area of responsibility and is ready to conduct combat operations. The CARL VINSON stands watch in the Western Pacific. Our widely dispersed Tomahawk equipped ships and submarines and our carrier-based aircraft—in combination with land-based Air Force tankers and bombers and our Marine Corps and Army ground forces—are delivering precise, time-sensitive strikes ashore and conducting decisive combat operations deep inland in OIF.

—The Navy's Military Sealift Command (MSC), is actively providing combat logistics support to U.S. Navy ships; is prepositioning joint military supplies and equipment at sea; and is providing sealift and ocean transportation of defense cargo. MSC's high quality shipping, augmented by charters, continues its sealift of the Army's 4th Infantry Division. MSC is also delivering fuel and aviation support equipment and supplies to deployed Army and Air Force units. All eight of our Fast Sealift Ships and nineteen of our twenty new large, medium speed roll-on/roll-off ships are employed. Over half of our ready reserve ships have been activated, and when combined with other chartered shipping, MSC has

more than 130 ships committed to the sealift of the joint team, and nearly 210 ships under their control. This includes the eleven of our fifteen deployed Maritime Prepositioning Ships (MPS) that have offloaded supplies and equipment for our Marine force. In all, 95 percent of all equipment and supplies needed by U.S. forces in time of crisis moves by sea on MSC controlled ships.

- Working alongside the Marine Corps, our Amphibious Ready Groups, including 7 big decks (LHA/LHD) in the Persian Gulf area, are supporting over 60,000 Marines ashore in OIF. Permanently installed command, control, communications, computers, intelligence, surveillance and reconnaissance (C⁴ISR) suites and information technologies on these ships are enhancing the entire joint team's knowledge superiority picture. Troops ashore are supported with sustained logistic support and we are hosting, operating and maintaining Marine aircraft—all from the security our ships enjoy in the maritime domain. Most importantly, these ships fully utilize the vast maneuver area of the world's oceans, leveraging our asymmetric advantage and improving our ability to bring decisive power to the point of attack.
- The AEGIS cruiser USS LAKE ERIE (CG 70) completed three medium range ballistic missile defense tests last year, successfully acquiring, tracking and hitting target ballistic missiles in the mid-course or ascent phases with a Standard Missile 3 (SM-3) in all three tests. LAKE ERIE and the AEGIS destroyer USS JOHN PAUL JONES also supported three successive Missile Defense Agency intercontinental class ballistic missile tests; the AEGIS system performed exactly as predicted in each of these tests, acquiring the targets immediately and passing high fidelity digital track data to national nodes ashore. These cruisers' and destroyers' organic AEGIS Weapons System and their SPY-1 multi-function, phased array radars, demonstrate the capability and capacity to conduct a sea based missile defense against those ballistic missiles that can target our homeland, allies, forward operating bases, and joint forces ashore. They could also provide important surveillance and cueing of intercontinental class weapons directed at our homeland.
- The USS FLORIDA (SSBN 728), an Ohio-class fleet ballistic missile submarine, successfully launched two Tomahawk missiles, confirming the ability to launch a Tomahawk from a configuration similar to the tightly packed cluster of Tomahawk All-Up-Rounds (AUR) we will use in the SSGN. This experiment was conducted in support of the SSGN program's Sea Trial experiment, Giant Shadow, which also explored how a network of forces, including special warfare forces, and various unmanned aerial, underwater and ground vehicles and sensors could be used to provide surveillance, collect real-time intelligence, and develop and launch a time critical strike in support of the joint force commander. This included the first vertical launch of a UUV, testing of nuclear-biological-chemical sensors, and the insertion of SEALs from one of the submarines we will convert to an SSGN.

These examples represent the return on investment the American people have made in our Navy: an agile, connected fleet that enhances deterrence, sustains our access, conducts precision strikes, exercises joint command and control, enhances knowledge superiority, responds to crisis, projects, sustains and operates with the joint force ashore, and leverages the priceless advantage of our command of the seas. It is why we are a critical component of the nation's joint defenses in peace, in crisis, and in conflict.

None of the foregoing would be possible without the energy, expertise, and enthusiasm of our active and reserve Sailors, and our Marine and civilian shipmates in the Department of the Navy. After all, it is people that put capability to practice, and it is their dedicated service that makes these capabilities ready—around the world and around the clock.

II: A Culture of Readiness—A Commitment to Transformation

This century's dangerous and uncertain strategic environment places a premium on credible combat forces that possess speed of response, immediate employability, and the flexible force packaging that brings the right capability to bear at the right time. It demands forces that can pair this capability with readiness, both today and in the future.

Readiness is the Navy's watchword. Readiness is the catalyst that brings combat power, speed of response, and the ability to disrupt an enemy's intentions in both crisis and conflict. Readiness brings capability to bear wherever and whenever it is needed. We are making readiness a key element of our Navy's culture.

The forces we've placed forward today are the most ready force in our history; properly manned, superbly trained and well provisioned with ordnance, repair parts and supplies so they can provide both rotational deployment and surge capability.

Our operational forces are ready earlier and are deploying at a higher state of readiness than ever before.

A greater percentage of our ships are underway today than at any time in the last dozen years. Our ability to do so is the direct result of two things: the investment of the American people and the extraordinary commitment and accomplishment of our men and women in the Navy this past year. We made a concerted effort in last year's budget request to improve our current readiness and reduce our immediate operational risk and I am proud to report to you today that this force is ready to fight and win!

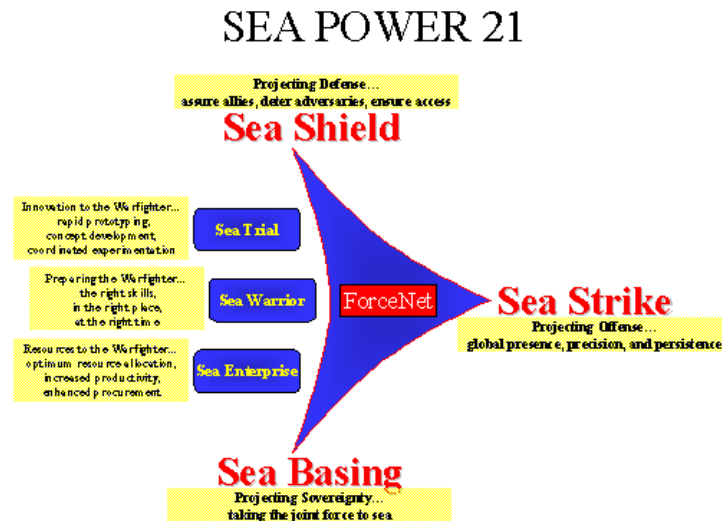
At the same time, it is apparent that the 21st century sets the stage for tremendous increases in precision, reach, and connectivity, ushering in a new era of joint operational effectiveness. We clearly will be able to integrate sea, land, air, and space through enhanced network technology to a greater extent than ever before. And in this new, unified battlespace, the sea will provide the vast maneuver area from which to project direct and decisive power.

To navigate the challenges ahead and realize the opportunities, we developed this past year a clear, concise vision—Sea Power 21—for projecting decisive joint capabilities from the sea. It is a vision that stresses our asymmetric strengths of information dominance, advanced technology, and highly skilled and motivated professionals.

Sea Power 21 advances American naval power to a broadened strategy in which naval forces are fully integrated into global joint operations across this unified battlespace and against both regional and transnational aggressors. It provides the transformational framework for how we will organize, align, integrate, and transform our Navy to meet the challenges that lie ahead.

It also includes the transformed organizational processes that will accelerate operational concepts and technologies to the fleet; shape and educate the workforce needed to operate tomorrow's fleet; and harvest the efficiencies needed to invest in the Navy of the future.

The capabilities needed to fulfill this broadened strategy are grouped into three core operational concepts: Sea Strike, Sea Shield, and Sea Basing, which are enabled by FORCEnet. The triad of transformed organizational processes that supports these concepts is: Sea Warrior, Sea Trial, and Sea Enterprise.



Together, these concepts will provide increased power, protection, and freedom for America.

—Sea Strike is the projection of precise and persistent offensive power. Sea Strike operations are how the 21st century Navy will exert direct, decisive and sustained influence in joint campaigns. Sea Strike capabilities will provide the Joint Force Commander with a potent mix of weapons, ranging from long-range precision strike, to clandestine land-attack in anti-access environments, to the swift insertion of ground forces.

- Sea Shield is the projection of layered, global defensive assurance. It is about extending our defenses beyond naval forces, to the joint force and allies and providing a defensive umbrella deep inland. Sea Shield takes us beyond unit, fleet and task force defense to provide the nation with sea-based theater and strategic defense.
- Sea Basing is the projection of operational independence. Sea Basing will use the fleet's extended reach of modern, networked weapons and sensors to maximize the vast maneuver space of the world's oceans. It is about extending traditional naval advantages to the joint force with more security, connectivity, and mobility from netted forces at sea.
- FORCEnet is the enabler of our knowledge supremacy and hence, Sea Strike, Sea Shield, and Sea Basing. It is the total systems approach and architectural framework that will integrate warriors, sensors, networks, command and control, weapons, and platforms into a networked, distributed force and provide greater situational awareness, accelerated speed of decision, and greatly distributed combat power.

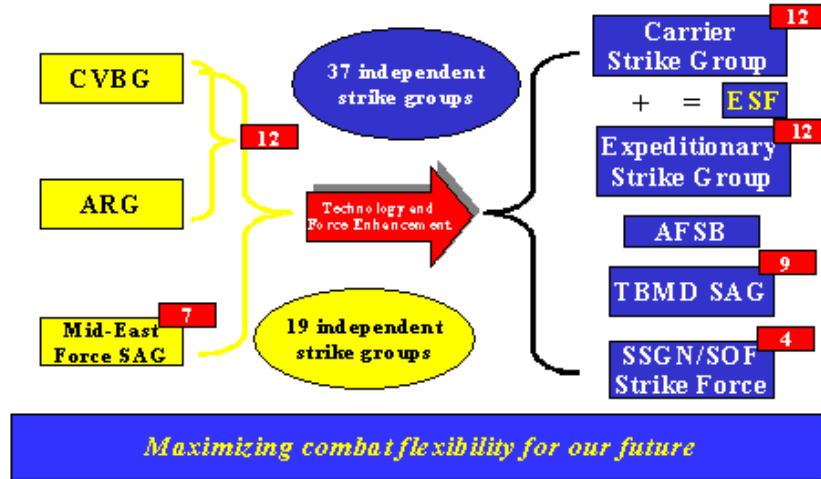
Our transformed organizational processes are:

- Sea Warrior is our commitment to the growth and development of our Sailors. It serves as the foundation of warfighting effectiveness by ensuring the right skills are in the right place at the right time.
- Sea Trial is a continual process of rapid concept and technology development that will deliver enhanced capabilities to our Sailors as swiftly as possible. The Commander, U.S. Fleet Forces Command is leading this effort and developing new concepts and technologies, such as the Joint Fires Network and High Speed Vessels.
- Sea Enterprise is our process to improve organizational alignment, refine requirements, and reinvest the savings to buy the platforms and systems needed to transform our Navy. It is the means by which we will capture efficiencies and prioritize investments. Sea Power 21 is dedicated to a process of continual innovation and is committed to total jointness. It extends American naval superiority from the high seas, throughout the littorals, and beyond the sea. It both enhances and leverages persistent intelligence, surveillance and reconnaissance capabilities and precision weaponry to amplify the nation's striking power, elevate our capability to project both defense and offense, and open the door to the afloat positioning of additional joint capabilities, assets and forces.

Sea Power 21 will extend the advantages of naval forces—speed of response, agility, immediate employability, and security—to the unified, joint warfighting team. It will increase our deterrence, crisis control and warfighting power. It will ensure our naval forces are fully integrated into global joint operations to bring more power, more protection, and more freedom to America.

We will put our Sea Power 21 vision into practice through a new Global Concept of Operations (CONOPs) to distribute our combat striking power to a dispersed, networked fleet. This will optimize our flexible force structure and create additional, scaleable, independent operating groups capable of responding simultaneously around the world. This distribution of assets will take us from 19 strike capable groups to 37 strike capable groups with the full implementation of the Global CONOPs.

OPERATIONAL INDEPENDENCE



- Carrier Strike Groups will remain the core of our Navy's warfighting strength. No other force package matches their sustained power projection ability, extended situational awareness, and survivability.
- Expeditionary Strike Groups will augment our traditional Amphibious Ready Group/Marine Expeditionary Unit team with strike-capable surface combatants and submarines to prosecute Sea Strike missions in lesser-threat environments. When combined with a Carrier Strike Group, the resulting Expeditionary Strike Force will possess the full range of our netted, offensive and defensive power. We will deploy at least one pilot ESG this year.
- Missile-Defense Surface Action Groups will increase international stability by providing security to allies and joint forces ashore from short and medium range ballistic missile threats.
- Our future SSGN forces—specially modified Trident submarines—will provide large volume clandestine strike with cruise missiles and the capability to support and insert Special Operations Forces.
- An enhanced-capability Combat Logistics Force and Maritime Prepositioned Force will sustain a more widely dispersed and capable Navy/Marine Corps team.

It is our intention to continue to nurture this culture of readiness and invest in this vision in the years ahead.

III. Our Fiscal Year 2004 Budget Request

This past year the Navy improved its current readiness by properly funding our current readiness accounts, deepening the growth and development of our people, and developing innovative operational concepts and capabilities.

This year, we intend to:

- Sustain our current readiness gains to support the war on terror;
- Deepen the growth and development of our people into the 21st Century, high-technology personnel force that is our future; and
- Invest in our bold new Navy vision—Sea Power 21—to recapitalize and transform our force and improve its ability to operate as an agile, lethal and effective member of our joint, networked warfighting team.

At the same time, we will continue to actively harvest the efficiencies needed to fund and support these priorities in both fiscal year 2004 and beyond. Our Navy budget request for fiscal year 2004 supports this intent and includes:

- 7 new construction ships, two more SSBN-to-SSGN conversions, one cruiser conversion and 100 new aircraft;
- Investment in accelerated transformational capabilities, including the next-generation aircraft carrier (CVN-21), the transformational destroyer (DD(X)) and Littoral Combat Ship (LCS), the Joint Strike Fighter, the Advanced Hawkeye (E-2C RMP) Upgrade Program and the EA-18G Electronic Attack aircraft;

- An 4.1 percent average pay increase in targeted and basic pay raises, and a reduction in average out-of-pocket housing costs from 7.5 percent to 3.5 percent;
- Investment in housing and Public Private Venture that will help eliminate inadequate family housing by fiscal year 2007 and enable us to house shipboard Sailors ashore when their vessel is in homeport by fiscal year 2008;
- Continued investment in key operational readiness accounts that includes an increase in aviation depot maintenance funding, improvement in our annual deferred maintenance backlog for our ships, submarines and aircraft carriers, and sustained funding for our ordnance, ship operations and flying hours accounts;
- Navy-Marine Corps Tactical Aviation Integration, a process that will maximize our forward-deployed combat power, optimize the core capability of naval aviation forces, introduce 200 modern aircraft across the fiscal year 2004-fiscal year 2009 program and save billions of dollars;
- Divestiture of aging, legacy ships, systems and aircraft, producing nearly \$1.9 billion in fiscal year 2004 for reinvestment in recapitalization;
- Improvements in the quality of our operational training through a Training Resource Strategy; and
- Investment in transformational unmanned underwater vehicles (UUV), unmanned aviation vehicles (UAV), experimental hull forms and other technologies.

A. Sustaining our Current Readiness

Your investment last year produced the most ready force in our history. Training, maintenance, spare parts, ordnance, and fuel accounts enabled our Fleet to be ready earlier, deploy at a higher state of readiness, and as we are witnessing today, build a more responsive surge capability. These investments were vital to sustaining the war on terrorism, assuring friends and allies and leading the nation's global response to crisis.

- Ship Operations and Flying Hours requests funds for ship operations OPTEMPO of 54.0 days per quarter for our deployed forces and 28 days per quarter for our non-deployed forces. The flying hours request receives an additional \$137 million this year to sustain the investment level we established in support of last year's budget. This level of steaming and flying hours will enable our ships and airwings to achieve required readiness six months prior to deployment, sustain readiness during deployment and increase our ability to surge in crisis. However, sustained OPTEMPO at levels above this force-wide target, as is beginning to occur during fiscal year 2003's time of accelerated and extended deployments, will cause our current year execution to run both ahead and in excess of the existing plan.
- Ship and Aviation Maintenance. Last year, we reduced our major ship depot maintenance backlog by 27 percent and aircraft depot level repair back orders by 17 percent; provided 32 additional ships with depot availabilities; ramped up ordnance and spare parts production; maintained a steady "mission capable" rate in deployed aircraft; and fully funded aviation initial outfitting. Our request for fiscal year 2004 aviation maintenance funding adds over \$210 million to fiscal year 2003's investment and will increase the number of engine spares, improve the availability of non-deployed aircraft, and meet our 100 percent deployed airframe goals.

Our ship maintenance request continues to "buy-down" the annual deferred maintenance backlog and sustains our overall ship maintenance requirement. The aggregate level of funding for ship maintenance actually declines from fiscal year 2003 to fiscal year 2004, due in part to the positive effects of the additional maintenance funding provided in supplemental appropriations in the previous year, in part to the accelerated retirement of the oldest and most maintenance-intensive surface ships, and as a result of scheduling and timing.

- Shore Installations. The fiscal year 2004 request provides 93 percent of the modeled sustainment cost for facilities, an increase from fiscal year 2003's 84 percent. Although the overall investment in facility recapitalization has reduced from last year, slowing the replacement rate of facilities, our increased investment in sustainment will better maintain existing facilities as we continue to pursue innovations to improve our base infrastructure. Our Base Operations Support funding request is based on sustaining the current level of common installation and important community and personnel support functions; we have factored in management and business efficiencies to reduce the cost of providing these services. We continue to support a Base Realignment and Closure effort in fiscal year 2005 to focus our future investment and improve our recapitalization rate in the years ahead.

- Precision Guided Munitions receive continued investment in our fiscal year 2004 request with emphasis on increasing inventory levels for the Joint Stand-Off Weapon (JSOW), optimizing the Navy's Joint Direct Attack Munition (JDAM) production rate and commencing full rate production under multi-year procurement for the Tactical Tomahawk (TACTOM). Our partnership with the Air Force in several of our munitions programs will continue to help us optimize both our inventories and our research and development investment.
- Training readiness. The Training Resource Strategy (TRS) has been developed to provide for more complex threat scenarios, improve the training of our deploying ships, aircraft, Sailors and Marines, and support the range and training technology improvements necessary to ensure the long-term combat readiness of deploying naval forces. The TRS has identified the training facilities necessary to provide this superior level of training as well. Their dispersed character is more like the battlefield environment our forces will face today and tomorrow and will better challenge our deploying forces—before they are challenged in combat. Our fiscal year 2004 request includes \$61 million to support the Training Resource Strategy.

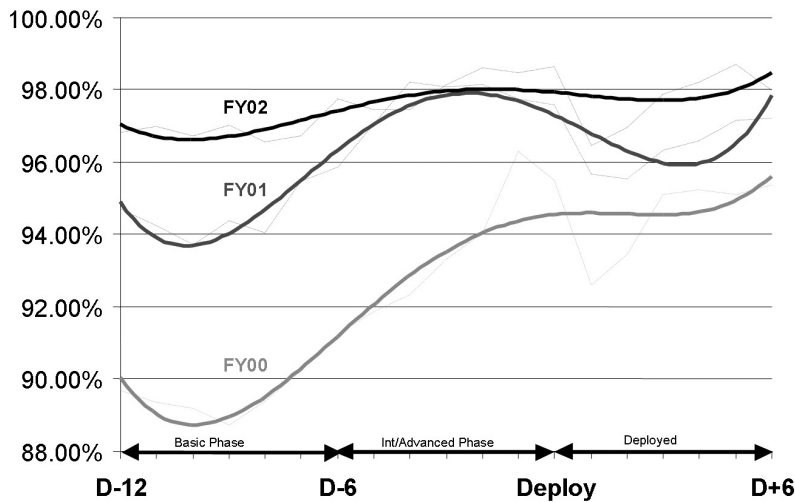
At the same time, encroachment and environmental issues continue to impact our ability to maintain an acceptable level of access to our valuable testing and training ranges and operating areas. As a result, we are looking for a balanced approach that would protect our environmental obligations and our ability to both train in realistic scenarios and develop transformational systems for our future. Our approach would be limited to only the most critical issues, such as the designation of critical habitat on military lands designated for military training, and the scientific measurements that achieve an appropriate balance between our environmental concerns and our obligation to ensure our Sailors are properly trained and our transformational systems are properly tested. We will focus the use of our ranges for these purposes while continuing to be an excellent steward of these environmental resources. We look forward to working with the Congress and the American people on this important and urgent issue impacting our Sailors and Marines.

B. Deepening the Growth and Development of our People

We are winning the battle for people. Thanks to superb leadership in the fleet and the full support of the American people and Congress, we are making solid progress in addressing long-standing manpower and quality of service issues vital to having what it takes to win the competition for talent today and tomorrow.

We are enjoying now, the best manning I have witnessed in my career. With few exceptions, we achieved C-2 manning status for all deploying battle group units at least six months prior to deployment. These accomplishments enabled our Navy to develop a more responsive force—one that surged forward with the right people, at the right time to fulfill our national security requirements.

Normalized Battle Group Manning

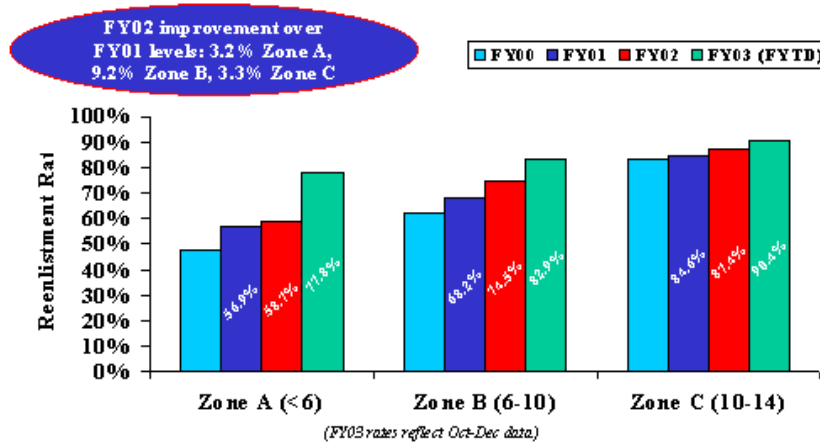


Retention is at record levels and recruiting has never been better. We achieved a 58.7 percent Zone A (<6 Years of service (YOS)) reenlistment rate, 74.5 percent Zone B reenlistment rate (6–10 YOS), and a Zone C (10–14 YOS) reenlistment rate of 87.4 percent in 2002. While we are also off to a great start in fiscal year 2003, we are instituting measures to ensure our annualized reenlistment rate meets our established goals (Zone A—56 percent, B—73 percent, C—86 percent).

Additionally, attrition for first term Sailors was reduced by 23 percent from fiscal year 2001 levels. 92 percent of our recruits are high school graduates and 6 percent of them have some college education.

Navy Enlisted Reenlistment

...the percentage of Sailors at a career decision point who choose to stay Navy



These tremendous accomplishments allowed us to reduce at-sea manning shortfalls last year and reduce our recruiting goals. We were also able to increase the overall number of E-4 to E-9s in the Navy by 1.3 percent to 71.5 percent working toward a goal of 75.5 percent by fiscal year 2007. This healthy trend allows us to retain more of our experienced leaders to manage and operate the increasingly technical 21st century Navy.

Targeted pay raises, reenlistment bonuses, improved allowances, enhanced educational benefits, retirement reforms, support for improved family services, and better medical benefits are making a difference and can be directly attributed to Congressional support and the outstanding work of our Navy leaders in our ships, squadrons, bases and stations.

Our fiscal year 2004 request capitalizes on last year's accomplishments and provides the opportunity to align our manpower and skills mix to balance our end strength and shape our 21st century workforce. As part of Sea Power 21's transformed organizational process improvements we will begin our Sea Warrior process.

Our goal is to create a Navy in which all Sailors are optimally assessed, trained, and assigned so that they can contribute their fullest to mission accomplishment. It is important that we sustain our manpower progress by furthering our supporting initiatives, to include:

- Perform to Serve will align our Navy personnel inventory and skill sets through a centrally managed reenlistment program. This initiative makes Commander, Navy Personnel Command the final authority for first term reenlistments and extensions and will steer Sailors in over manned ratings into skill areas where they are most needed. It provides the training necessary to ensure these sailors will succeed in their new rating. Most importantly, it will help us manage our skills profile.
- Navy Knowledge Online introduces our integrated web-based lifelong learning initiative for personnel development and learning management. It connects Sailors to the right information in a collaborative learning environment; tracks their individual skills and training requirements; and provides lifelong support between our rating, leadership and personal development Learning Centers and our Sailors.
- Task Force EXCEL (Excellence through our Commitment to Education and Learning) is transforming the way we train and educate our people. A more responsive organizational structure has been established to include the Navy Chief Learning Officer, Naval Personnel Development Command, and Human Performance Center. We also partnered with Fleet, industry, and academia to improve individual training and education; and with colleges, through the Commissioned Navy College Program, to provide rating-related Associate and Bachelor degrees.
- Project SAIL (Sailor Advocacy through Interactive Leadership), will web-base and revolutionize the personnel assignment process by putting more choice in the process for both gaining commands and Sailors. It will empower our people to make more informed career decisions and for the first time, create a more competitive, market-oriented process.

Our Sea Swap initiative is underway now, with the first crew-change on USS FLETCHER taking place in the Western Australia port of Fremantle last month. We will continue this pilot with another crew change this summer and we intend to continue to examine pilot programs in optimal manning, rotational crewing, assignment incentive pay, rating identification tools, and rate training.

Your support of our fiscal year 2004 request for a targeted pay raise that recognizes and reaffirms the value of our career force and acts as an incentive to junior personnel to stay Navy is critical to staying the course. So, too, is continuing the reduction of average out-of-pocket housing expenses and the extension and enhancement of essential special pay and bonus authorities. All these efforts enable our Navy to sustain our forces in the war on terrorism, continue the increase in our Top 6 (E4 to E9), and develop the 21st Century, high-technology personnel force that is our future.

C. Investing in Sea Power 21

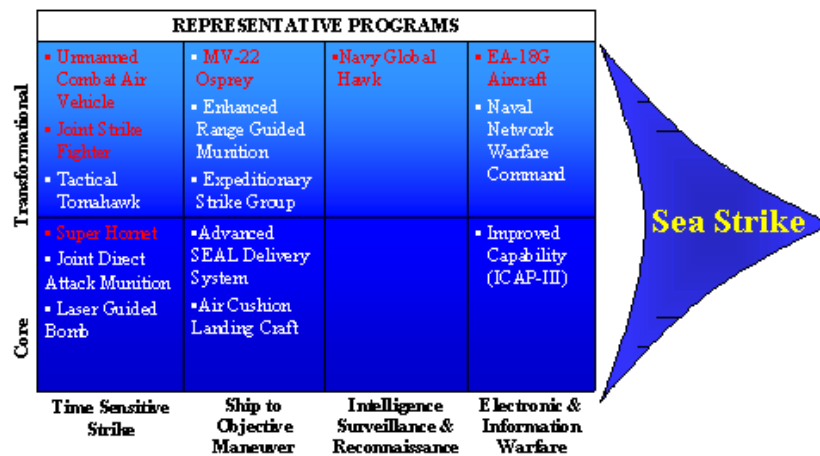
Our 21st Century Navy will be a joint, netted, dispersed power projection force and Sea Power 21 is the framework for how our Navy will organize, integrate, and transform. It prescribes a strategy-to-concepts-to-capabilities continuum by which current and future Naval Forces will exploit the opportunity that information dominance and rapid, highly accurate power projection and defensive protection capabilities bring to us.

Together, these concepts will compress our speed of response and provide the nation with immediately employable, secure and sovereign forward “capability sets” from which to project firepower, forces, command and control, and logistics ashore.

The following describes the core capabilities, and our initial investments in our highest priority programs that support this vision.

Sea Strike is the projection of precise and persistent offensive power. The core capabilities include Time Sensitive Strike; Intelligence, Surveillance and Reconnaissance; Ship to Objective Maneuver; and Electronic Warfare and Information Operations. We are already investing in impressive programs that will provide the capabilities necessary to support Sea Strike; these include the following fiscal year 2004 priorities:

SEA STRIKE



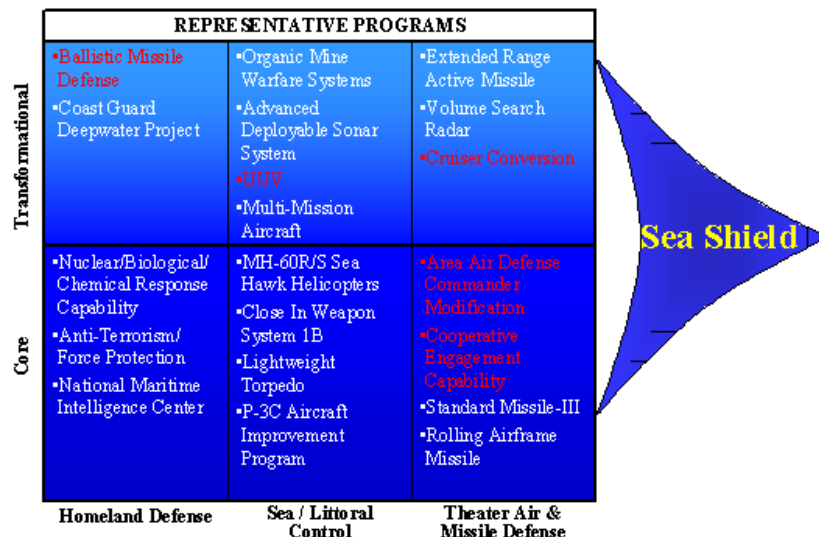
—*F/A-18E/F Super Hornet.*—The F/A-18E/F is in full rate production and when combined with this year’s request for the EA-18G, will be the backbone of Navy sea-based precision and time-critical strike, electronic attack and airborne tactical reconnaissance. It is in the fifth of a five-year multi-year procurement (MYP) contract (fiscal year 2000–04) that will yield \$700 million in total savings. The second multi-year contract for 210 aircraft will yield approximately \$1 billion in savings as compared to the single-year price. The Super Hornet employs new knowledge dominance technologies, such as the Joint Helmet Mounted Cueing System, Advanced Tactical Forward Looking Infrared System, Shared Reconnaissance System, and Multi-Informational Display System data link. It provides 40 percent increase in combat radius, a 50 percent increase in endurance, 25 percent greater weapons payload, 3 times the ordnance bring back, and is more survivable than our older Hornets; most importantly, it has the growth capacity to remain a mainstay of our tactical aviation for years to come. Three of these squadrons are already deployed today at one-third the operational cost of our legacy F-14 aircraft. Fiscal year 2004 budgets for 42 E/F aircraft; this program maximizes the return on our procurement dollars through a multi-year procurement contract and a minimum economic order quantity buy.

—*EA-18G.*—The EA-18G will replace the aging EA-6B Prowler for joint force electronic attack. Using the demonstrated growth capacity of the F/A-18E/F, the EA-18G Growler will quickly recapitalize our Electronic Attack capability at lower procurement cost, with significant savings in operating and support costs and three years earlier than previously planned; all while providing the growth potential for future electronic warfare (EW) system improvements. It will use the Improved Capability Three (ICAP III) receiver suite and provide selective reactive jamming capability to the war fighter. This will both improve the lethality of the air wing and enhance the commonality of aircraft on the carrier deck. It will dramatically accelerate the replacement of our aging Airborne Electronic Attack capability. Engineering and developmental efforts commence with our fiscal year 2004 budget request.

- JSF*.—The Joint Strike Fighter will enhance our Navy precision with unprecedented stealth and range as part of the family of tri-service, next-generation strike aircraft. It will maximize commonality and technological superiority while minimizing life cycle cost. The fiscal year 2004 budget requests \$2.2 billion in accelerated development funds; initial production is planned for fiscal year 2006.
- MV-22*.—The Joint Service MV-22 Osprey tilt-rotor, Vertical/Short Take-Off or Landing (V/STOL) aircraft represents a revolutionary change in aircraft capability. It will project Marines and equipment ashore from our amphibious shipping, operationalizing Ship to Objective Maneuver from the Sea Base and improving our expeditionary mobility and force entry needs for the 21st century. The MV-22 program has been restructured, redesigned, rebuilt and is undergoing testing to deliver an operationally deployable aircraft on the restructured schedule. The MV-22 will replace the Vietnam-era CH-46E and CH-53D helicopters, delivering improved readiness, upgraded capability, and significantly enhanced survivability. It is overwhelmingly superior to our legacy CH-46E providing twice the speed, five times the range, and three times the payload capacity.
- Unmanned Air Vehicles (UAV)*.—We increased our commitment to a focused array of unmanned air vehicles that will support and enhance both Sea Shield and Sea Strike missions with persistent, distributed, netted sensors. We are initiating the Broad Area Maritime Surveillance (BAMS) UAV this year to develop a persistent, multi-mission platform capable of both Sea Shield and Sea Strike surveillance and reconnaissance of maritime and land targets, communications relay and some intelligence collection. We have provided funding for testing, experimentation and/or demonstration of the Fire Scout Demonstration Systems, Global Hawk Maritime demonstration and the Unmanned Combat Aerial Vehicle—Navy (UCAV-N) demonstration vehicle as well.

Sea Shield is the projection of layered, global defensive power. It will soon enhance deterrence and warfighting power by way of real-time integration with joint and coalition forces, high speed littoral attack platforms setting and exploiting widely distributed sensors, and the direct projection of defensive powers in the littoral and deep inland. It will enhance homeland defense, assure, and eventually sustain our access in the littorals and across the globe. Sea Shield capabilities include, Homeland Defense, Sea and Littoral Control, and Theater Air and Missile Defense.

SEA SHIELD



Our highest priority Sea Shield programs this year include:

- Missile Defense*.—Our Navy is poised to contribute significantly in fielding initial sea based missile defense capabilities to meet the near-term ballistic missile

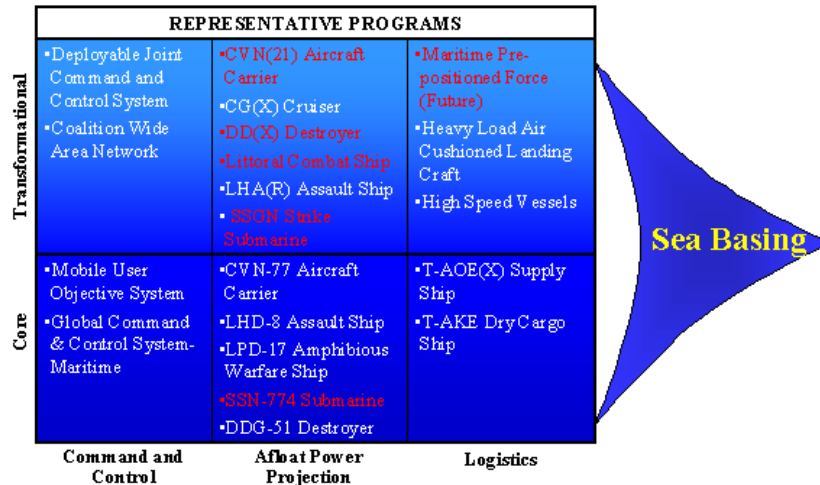
threat to our homeland, our deployed forces, and our friends and allies and we are working closely with the Missile Defense Agency (MDA) to that end. As partners, USS LAKE ERIE will be transferred to MDA to facilitate a more robust testing program for missile defense. In turn, MDA is requesting funds to upgrade three AEGIS guided missile destroyers (DDG) for ICBM surveillance and tracking duties and procurement of up to 20 Standard Missile interceptors to help us provide a limited at sea capability to intercept short and medium range ballistic missiles in the boost and ascent phases of flight. Our sea-based missile defense programs experienced tremendous success on the test range during 2002, and we look forward to building on these successes and developing a vital capability for our Nation.

—*CG Conversion*.—The first Cruiser Conversion begins in fiscal year 2004. The Cruiser Conversion Program is a mid-life upgrade for our existing AEGIS cruisers that will ensure modern, relevant combat capability well into this century and against evolving threats. These warships will provide enhanced land attack and area air defense to the joint force commander. Core to these conversions is installation of the Cooperative Engagement Capability, which enhances and leverages the air defense capability of these ships, and the 5 inch/62 Gun System with Extended Range Guided Munitions to be used in support of the Marine Corps Ship-to-Objective-Maneuver doctrine. These converted cruisers could also be available for integration into ballistic missile defense missions when that capability matures.

—*Unmanned Underwater Vehicles (UUV)*.—We will continue development of UUVs for minefield reconnaissance in the littoral and other surveillance missions; including funding that will result in initial operating capability for the Long-term Mine Reconnaissance System (LMRS) in fiscal year 2005.

Sea Basing is the projection of operational independence. Our future investments will exploit the largest maneuver areas on the face of the earth: the sea. Sea Basing serves as the foundation from which offensive and defensive fires are projected—making Sea Strike and Sea Shield a reality. Sea Basing capabilities include, Joint Command and Control, Afloat Power Projection and Integrated Joint Logistics. Our intent is to minimize as much as possible, our reliance on shore-based support nodes.

Sea Basing



At the top of my list is the surface combatant family of ships—centered on the next-generation multi-mission destroyer DD(X), the next-generation cruiser (CG(X)), and the Littoral Combat Ship (LCS)—this combination of ships will provide joint force commanders with a robust range of transformational capabilities across the spectrum of warfare. From the long-range precision strike and volume-fires of DD(X), to the overland, theater and strategic ballistic and cruise missile defensive reach of the CG(X), to the ability to clear the way for the joint force in the tough

littoral environment with LCS, the Navy's future surface warships will be designed from their keels up to operate as critical elements of our dispersed, networked, joint force.

At the heart of this family is DD(X). Our DD(X) research and development effort is the baseline that will enable us to keep pace with today's rapid technological advances; it will spiral promising technologies to both CG(X) and LCS, and hence, permit us to both lead the threat and leverage the capabilities needed for the 21st Century. It will also enable us to upgrade in-service Aegis cruisers and destroyers with selected leading-edge technologies to ensure this vital core of our legacy, multi-mission fleet will maintain operational effectiveness throughout their lifetimes and until the DD(X) and CG(X) program comes to fruition. Specific highlights include:

—*Littoral Combat Ship (LCS)*.—Our most transformational effort and number one budget priority, the Littoral Combat Ship will counter anti-access threats, namely small, fast surface craft carrying anti-ship missiles, torpedo-armed ultra-quiet diesel submarines, and large numbers of inexpensive mines. It will be the first Navy ship to separate capability from hull form and will provide a robust, affordable, focused-mission ship to enhance our ability to establish sea superiority not just for our Carrier Strike Groups and Expeditionary Strike Groups, but for all the joint logistics, command and control and pre-positioned ships that must transit the critical littoral threat area to move and support forces ashore. They will be dispersed and netted, both leveraging and enhancing the knowledge superiority and defense of the theater joint force. They will be the backbone of our organic battle group mine warfare capability.

We will separate capability from platform by developing "tailorable" mission modules that can be rapidly changed in forward locations. This kind of "forward fit and fight" capability will enable us to distribute these small, minimally manned, persistent, high-speed vessels across the globe and it will permit us to use innovative crewing techniques. By employing networked sensors, modular mission payloads, a variety of manned and unmanned vehicles, and an innovative hull design, they will also have the inherent capacity for further transformation. We will capitalize on DOD initiatives, spiral development, and new acquisition methods to streamline the acquisition process and begin construction of the first LCS by 2005. The fiscal year 2004 budget accelerates development and construction of 9 LCS in the FYDP, key to ramping surface force structure to Global CONOPs levels outside the FYDP.

—*DD(X)*.—The DD(X) advanced multi-mission destroyer will be armed with an array of land attack weapons to provide persistent, distributed offensive fires in support of joint forces ashore. Transformational and leap ahead technologies include an integrated power system and electric drive; the Advanced Gun System with high rate of fire and magazine capability; the new Multi-Function Radar/Volume Search Radar suite; optimal manning through advanced system automation, stealth through reduced acoustic, magnetic, IR, and radar cross-section signature; and enhanced survivability through automated damage control and fire protection systems. The capacity in both hull form and integrated electric power system, and the revolutionary radar development work will allow us to spiral DD(X) to both an entirely new class of ships—our robust, sea-based missile defense CG(X) platform of the future—as well as other potential systems, like the electro-magnetic rail gun, in the years ahead.

In addition to the surface combatant family of ships, our other high priority efforts include:

—*CVN-21*.—We have accelerated transformational technologies from the CVNX development plan into CVN-21 while sustaining the CVNX-1 development schedule submitted last year. This is the first new carrier design since 1967. The fiscal year 2004 budget request provides \$1.5 billion in RDT&E and advanced procurement for the first CVN-21 and programs for split-funded construction for two years beginning in fiscal year 2007. The transformational technologies include a new electrical generation and distribution system, improved flight deck design with Electro-Magnetic Aircraft Launching System (EMALS), improved sortie generation, enhanced survivability, reduced manning, and incorporation of a flexible infrastructure that will allow the insertion of new capabilities as they evolve. CVN-21 will be the centerpiece of our Carrier Strike Groups in the future and will replace USS ENTERPRISE in fiscal year 2014.

—*VIRGINIA-class submarine (SSN-774)*.—The first four ships of this class are under construction: Virginia will commission in 2004; the keel was laid for Texas (SSN-775) in July 2002; Hawaii (SSN-776) was begun in 2001; and North Carolina (SSN-777) in 2002. This class will replace LOS ANGELES-class (SSN-688) attack submarines and will incorporate new capabilities, including an array of unmanned vehicles, and the ability to support Special Warfare

forces. It will be an integral part of the joint, networked, dispersed fleet of the 21st Century.

—*SSGN Conversions*.—We have requested two additional conversions in fiscal year 2004; these ships will be configured to carry more than 150 Tomahawk missiles, enabling covert, large-volume strike. The SSGN will also have the capability to support Special Operations Forces for an extended period, providing clandestine insertion and retrieval by lockout chamber, dry deck shelters or the Advanced Seal Delivery System, and they will be arrayed with a variety of unmanned systems to enhance the joint force commander's knowledge of the battlespace. We will leverage the existing TRIDENT submarine infrastructure to optimize their on-station time. The first two ships, the USS OHIO and USS FLORIDA, enter the shipyard in fiscal year 2003 to begin their refueling and conversion. USS MICHIGAN and USS GEORGIA will begin their conversion in fiscal year 2004. We expect this capability to be operational for the first SSGN in fiscal year 2007.

—*Maritime Prepositioning Force Future (MPF(F))*.—Our vision for the future Maritime Prepositioning Force and tomorrow's Amphibious force continues to develop. This fiscal year's budget and the Joint Forcible Entry Operations study will refine our effort and posture us for enhanced sea basing of Navy and Marine Corps assets. I expect MPF(F) ships will serve a broader operational function than current prepositioned ships, creating greatly expanded operational flexibility and effectiveness. We envision a force of ships that will enhance the responsiveness of the joint team by the at-sea assembly of a Marine Expeditionary Brigade that arrives by high-speed airlift or sealift from the United States or forward operating locations or bases. These ships will off-load forces, weapons and supplies selectively while remaining far over the horizon, and they will reconstitute ground maneuver forces aboard ship after completing assaults deep inland. They will sustain in-theater logistics, communications and medical capabilities for the joint force for extended periods as well.

Other advances in sea basing could enable the flow of Marine and Army forces at multiple and probably austere points of entry as a coherent, integrated combined arms team capable of concentrating lethal combat power rapidly and engaging an adversary upon arrival. The ability of the Naval Services to promote the successful transformation of deployment practices of the other Services will dramatically improve the overall ability of the Joint Force to counter our adversaries' strategies of area-denial and/or anti-access. We are programming RDTE funds to develop the future MPF and examine alternative sea basing concepts in fiscal year 2008.

FORCEnet is the enabler of the foregoing capabilities, and the operational construct and architectural framework for naval warfare in the joint, information age. It will allow systems, functions and missions to be aligned to transform situational awareness, accelerate speed of decisions and allow naval forces to greatly distribute its combat power in the unified, joint battlespace. It puts the theory of network-centric warfare into practice. We are just beginning this effort and we have requested \$15 million in funds to administer the development of FORCEnet, the cornerstone of our future C4I architecture that will integrate sensors, networks, decision aids, warriors and weapons. Programs that will enable the future force to be more networked, highly adaptive, human-centric, integrated, and enhance speed of command include:

—*E-2C Advanced Hawkeye Radar Modernization Program*.—E-2 Advanced Hawkeye (AHE) program will modernize the E-2 weapons system by replacing the current radar and other aircraft system components to improve nearly every facet of tactical air operations. The modernized weapons system will be designed to maintain open ocean capability while adding transformational surveillance and Theater Air and Missile Defense capabilities against emerging air threats in the high clutter and jamming environment. The advanced Hawkeye will be a critical contributor to Naval Integrated Fire Control-Counter Air, and to Sea Strike and Shield. The fiscal year 2004 budgets over \$350 million for continued development with first production planned for fiscal year 2008.

—*Navy and Marine Corps Intranet (NMCI)*.—NMCI continues to bring together Navy personnel, government civilians and contractors into a single computing environment. This program is fostering fundamental changes in the way we support critical war fighting functions, conduct Navy business, and train and advance Sailors. Fiscal year 2004 funding of \$1.6 billion continues user seat rollout and cutover to the NMCI architecture, progressing toward a target end-state of 365,000 seats. Although NMCI seat cutover was slowed initially by the need to resolve the challenges of numerous, disparate legacy applications, the transition to NMCI has succeeded in eliminating more than 70,000 legacy IT applications and we are on track for the future.

Sea Trial.—Commander, U.S. Fleet Forces Command (CFFC) is now in charge of our Navy’s revitalized process of experimentation, and is rapidly developing emergent concepts and experimenting with new technologies to speed delivery of innovation to the fleet. CFFC will reach throughout the military and beyond to coordinate concept and technology development in support of future warfighting effectiveness. Embracing spiral development, the right technologies and concepts will then be matured through targeted investment and rapid prototyping.

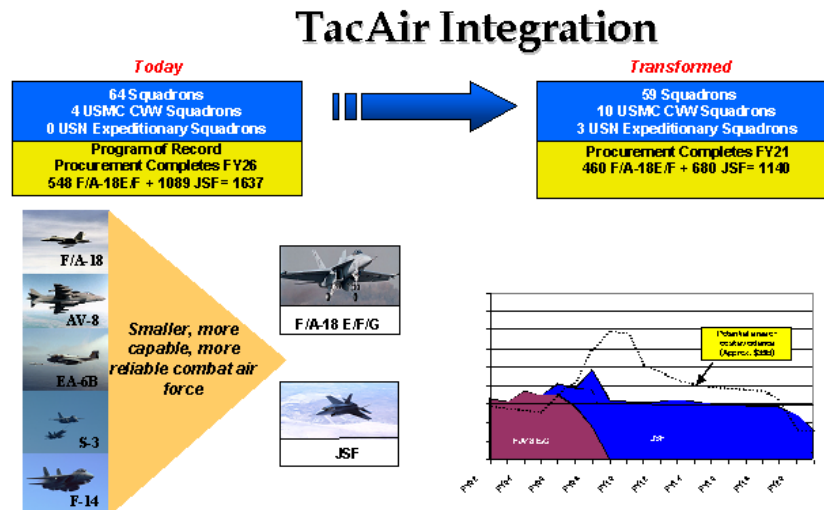
CFFC is working in concert with the U.S. Joint Forces Command to refine the Sea Trial process and integrate select wargames, experimentation and exercises. We are already testing new operational concepts and technologies like the Collaborative Information Environment, Joint Fires Initiative, and the Navy Joint Semi-Automated Force Simulation in operations and exercises. We will continue to pursue evaluation of multiple platforms and systems, including experimental hull forms and electro-magnetic rail guns, among others.

The Systems Commands and Program Executive Offices will be integral partners in this effort, bringing concepts to reality through technology innovation and application of sound business practices.

IV. Harvesting Efficiencies for Transformation

We are working hard to identify and harvest the efficiencies needed to balance competing priorities and invest in our Sea Power 21 vision. Called Sea Enterprise, this process is intended to ensure our warfighting capability both now and in the future. It will help identify and produce those initiatives that both optimize our warfighting capability and streamline our organization and processes; to make it operate more efficiently, to reduce our overhead and to produce the savings needed for investment in recapitalization and our future. We have already identified several initiatives that have produced over \$40 billion in savings and cost avoidance across the defense program—and many more billions outside the FYDP—to help fund our future. A few of the highlights include:

—USN—USMC Tactical Aviation (TACAIR) Integration plan shows the promise of cross-service partnerships. It will maximize forward deployed combat power, enhance our interoperability, more fully integrate our services, and save \$975 million across the FYDP. This aggressive effort introduces 200 modern aircraft in the next six years while retiring legacy F-14, F/A-18A/B, S-3, and EA-6B airframes, and it reduces our F/A-18 E/F and JSF total buy requirements by 497 aircraft while enhancing our warfighting capability. There is more than \$30 billion in projected cost avoidance outside the FYDP as well.



Success depends upon proper numbers of E/F/G and on IOC of JSF

—Partnerships. We are pursuing other promising partnerships to include new munitions with the U.S. Air Force, common communications and weapons systems with the U.S. Coast Guard’s Deepwater Integrated Systems program, and

joint experiments with high-speed vessels with the U.S. Army. We will continue to leverage the gains made in programs like joint weapons development (JDAM, JSOW, AMRAAM) as well.

- Identifying savings within the force for recapitalization. Last year we promised we would sharpen our focus on our force structure in the years ahead—to buy the ships, aircraft and the capabilities needed for tomorrow's Navy. At the same time, we cannot overlook the important gains our focus on current readiness made these last few years; it produced the more responsive force on deployment today. As a result, we are obligated to look hard at the ways we could balance these priorities and our discretionary investments to both satisfy the near term operational risks and prepare for the long term risks of an uncertain future. This year we made some hard choices across the Fleet to do more to address our future risk, sustain our current readiness gains and strike this balance. We looked hard at older systems with limited growth potential and high operating and support costs (maintenance, parts, training, etc.), and ultimately decided to accelerate the retirement of 11 ships and 70 aircraft, divest more than 50 systems and eliminate 70,000 legacy IT applications from an original baseline of 103,000.

Accelerating the retirement of these ships was a difficult decision. However, our analysis indicates that our proposed near-term inactivations and our remaining warfighting capability provide an acceptable level of risk without compromising our ability to accomplish our mission. Vertical cuts in our least capable type-model series, both in ships and in aircraft, allowed us to use the savings to recapitalize, modernize other legacy platforms, and invest in Sea Power 21. In all, these difficult decisions yielded \$1.9 billion for reinvestment and will do much to help reduce our future risk.

- Improved business operations and processes. We are improving both the way we run the Fleet and our ability to control costs. The LPD-DDG swap produced savings sufficient to purchase a third guided missile destroyer in fiscal year 2004. We are using multi-year procurement contracts and focusing where possible on economic order quantity purchase practices to optimize our investments. We conducted the Workload Validation Review, and made Performance Based Logistics improvements. Other initiatives like piloting mission funding for two of our public shipyards, Enterprise Resource Planning, strategic sourcing, NMCI and eBusiness are helping us find the funds necessary to emerge with the optimal force structure, a healthy industrial base and an efficient and appropriately sized infrastructure.
- Installation Claimant Consolidation. In October 2003 we will establish a single shore installation organization, Commander, Navy Installations Command (CNIC), to globally manage all shore installations, promote “best practices” development in the regions, and provide economies of scale, increased efficiency, standardization of policies where practicable and improved budgeting and funding execution. This initiative has the potential to save approximately \$1.6 billion in the next six years.

We will continue to pursue the efficiencies that improve our warfighting capability. We are committed to producing the level investment stream that will help implement our bold new Navy vision and produce the number of future ships, aircraft and systems we need to counter the 21st Century threat. Harvesting savings for reinvestment is an important part of that effort, and we will continue to examine the potential efficiencies while weighing the operational risks, both now and in the future.

V. Conclusion

The President has called upon us to “be ready to strike at a moment's notice in any dark corner of the world.” We are answering that call in the Global War on Terrorism and in the opening salvos of Operation Iraqi Freedom. We will also prepare our force for the battles of tomorrow by integrating Sea Strike, Sea Shield, and Sea Basing into the Joint Force; capturing the funds needed to build the 21st century Navy; and developing our workforce. We are creating the future capabilities and force structure required to counter these 21st century threats. In pursuing victory, the United States Navy—forward deployed, highly capable, and poised for action—will continue to provide our nation persistent combat power.

At the same time, our people remain at the heart of all we do; they are the real capital assets in our Navy. We have invested heavily to do what is right for the people who are investing themselves in our Navy. “Growth and development” is our byline. As we look to the future, we will build on the impressive progress we have made in recruiting, assigning, and retaining our military and civilian professionals. Active leadership is making it happen today and will do so in the years to come.

I thank the Committee for your continued strong support of our Navy, our Sailors, and our civilian shipmates. Working together, I am confident we will win the Global War on Terrorism, make our great Navy even better, and provide our Nation with more power, more protection, and more freedom in the years ahead.

Senator STEVENS. Thank you very much. All this paper work is about what is going on on the floor. General Hagee.

STATEMENT OF GENERAL MICHAEL W. HAGEE

General HAGEE. Mr. Chairman, Senator Inouye, Senator Cochran, other distinguished members of this committee, it is indeed an honor for me to be here today representing your Marine Corps. I would like to thank this committee for its strong support for the issues and programs that are of such vital importance to the readiness of the Marine Corps and the Navy-Marine Corps team.

I would also like to thank my good friend, Admiral Vern Clark, for his leadership of the Navy and his participation in truly making the Navy-Marine Corps team a reality. And as he mentioned, nothing reflects that more in my opinion, than these 14 amphibious task force ships, 7 from each coast, that left within about a 2 to 3-week alert, carrying approximately 6,000 to 7,000 Marines on each task force, and all of them arrived in the Gulf on time and on target. Now, Admiral Clark would say it is because of the sailors that he has in his Navy, and he is absolutely correct, but it takes leadership and vision, and that comes from the top, and I thank him for that.

The actions of your Marines in Iraq attests to their morale, readiness and warfighting capability better than any words that I could say here today. They are performing magnificently. In addition to the events that constantly scream from our televisions, radios and newspapers, the Navy-Marine Corps team continues to play a key role in the global war on terrorism and in the establishment of stability and security in many of our world's other trouble spots.

Active and reserve Marines are operating alongside soldiers, sailors, airmen, non-governmental officials (NGOs) and diplomats in diverse locations around the globe, from Afghanistan to the Arabian Gulf, to the Horn of Africa, to the Georgian Republic, Colombia, Guantanamo Bay, and the Philippines. Today Marines are flying from Baghram Air Base in Afghanistan and from Navy carriers at sea. Currently 67 percent of the Marine Corps operating forces are forward deployed and almost 80 percent of our operating forces are either forward deployed, forward stationed, or forward based.

Marine Corps operations continue to highlight the versatility of our expeditionary forces. We have had one of our busiest years in terms of operational deployments, participation in realistic worldwide exercises and training events. To that end we have a thoroughly trained, ready and capable force for the Nation.

Though the Nation is focused on current operations in Iraq, we continue to develop the capabilities we will need for tomorrow's challenges as well. Along with the Navy, we are moving out with new organizational concepts mentioned by the Chief of Naval Operations. These include tac air integration, carrier and expeditionary strike groups, and our concept of enhanced networked sea bases. These concepts will make us more responsive, flexible and effective in the future.

The fiscal year 2004 budget continues our efforts to modernize and transform the force. The support that you have provided over the last 2 years has helped us make real progress in our modernization, transformation, personnel and readiness accounts. While Marines and their families have benefitted from increased appropriations for targeted pay raises and improved family housing and barracks, this committee's support for important procurement programs has also ensured that our Marines are better equipped and more likely to survive on the battlefield today.

With regard to transformation and modernization, I am happy to report that our top Marine Corps ground programs are adequately funded over the near term. Among these are the advanced amphibious assault vehicle, the high mobility artillery rocket system and the lightweight 155 howitzer. On the aviation side, we are on track for funding for the V-22, the joint strike fighter, Short-Take-Off/Vertical Landing (STOVL), and the four-bladed Cobra and Huey airframes.

Finally, we continue to make needed progress in readiness. Having recently come from the operating forces, I can tell you that there is a marked positive improvement in the way we are funding for readiness now compared to just a few years ago. Much of that improvement can be directly attributed to the welcome attention readiness has received from this subcommittee over the last few years. I know you are actually working on the much needed supplemental and I thank you very much for that, sir.

My main funding concern is the cost of reconstituting our forces. We are making a concerted effort to capture these costs and ensure we know what will be required to maintain the future readiness of our Corps. We are currently doing what we have been trained to do, and we are ready to support our Nation to whatever challenges may lie ahead. We are on solid ground regarding our mission and our direction. We will remain your own only sea-based, rotational, truly expeditionary combined armed force ready to answer the call as part of the integrated joint force.

PREPARED STATEMENT

Thank you again, sir, on behalf of all your Marines, and I look forward to your questions.
[The statement follows:]

PREPARED STATEMENT OF GENERAL MICHAEL W. HAGEE

Chairman Stevens, Senator Inouye, distinguished members of the Committee; it is my honor to report to you on the state of your United States Marine Corps. First, on behalf of all Marines, I want to thank the Committee for your continued support. Your sustained commitment to improving the warfighting capabilities of our Nation's armed forces and to improving the quality of life of our Service men and women and their families is vital to the security of our Nation, especially now, while our Nation is at war.

INTRODUCTION

The Navy-Marine Corps Team continues to play a key role in the global war on terrorism and in the establishment of stability and security in many of the world's trouble spots. Marines, both Active and Reserve, are operating side-by-side in Iraq, as well as in diverse locations, from Afghanistan, the Horn of Africa, Turkey, the Georgian Republic, Colombia, Guantanamo Bay, and the Philippines. The actions of your Marines—along with Navy Corpsmen and SeaBees—attest to their morale and readiness better than any words I could say here today.

Marine Corps operations throughout the past year have highlighted the versatility and expeditionary nature of our forces. Missions in support of Operations Enduring Freedom and Noble Eagle marked the most visible accomplishments of our forward-deployed forces. Marine Air Control Squadrons continue to provide air control, surveillance, and air traffic control support to Operation Enduring Freedom during their deployments to the Central Command area of responsibility. Elsewhere, the Marine Corps continues to support Operation Joint Forge in the Balkans by sending Civil Affairs teams to Bosnia.

Even as the Marine Corps saw one of our busiest years in terms of operational deployments, participation in realistic, worldwide exercises remained critical to supporting the Combatant Commander's Theater Security Cooperation Plans and ensuring that we maintained a ready and capable force. Over the last year, Marines participated in more than 200 service, joint, and combined exercises. These included live fire, field training, command post, and computer-assisted exercises. Participants varied in size from small units to Marine Expeditionary Forces. Overseas, Marine Expeditionary Units (Special Operations Capable) conducted exercises in Jordan, Italy, Croatia, Tunisia, the Philippines, Australia, Thailand, and Kuwait.

At home, Marine reserve units were designated as "on call" forces to support the Federal Emergency Management Agency's role in homeland security. In addition, the Marine Corps also conducted numerous training operations and internal exercises. This important training helps develop individual and unit proficiency and competency. It also allows the Marine Corps to examine unit operational skills and ensures that each unit has the capabilities required to execute our full range of missions.

The Marine Corps continues to contribute to the Nation's counter drug effort, participating in numerous counter-drug operations in support of Joint Task Force Six, Joint Interagency Task Force-East, and Joint Interagency Task Force-West. These missions are conducted in the Andean region of South America, along the U.S. Southwest border, and in several domestic "hot spots" that have been designated as High Intensity Drug Trafficking Areas. Individual Marines and task-organized units are assigned to these missions in order to provide support for domestic drug-law enforcement throughout the United States, and to provide conventional training to military forces in South America that execute counter-narcotics missions. Marine operational and intelligence teams also support Colombian military efforts to combat narco-terrorism. Marines of our reserve forces have executed the majority of these missions.

Our successes in these global operations and exercises have not been achieved alone. We have worked closely alongside the Navy, our sister Services, and Federal agencies to realize the true potential of joint, interoperable forces in the new environment of 21st Century warfare. The operational and personnel readiness levels we have been able to maintain directly reflect the strong, sustained support of the Congress in last year's National Defense Authorization and Appropriations Acts. In fiscal year 2004, we seek your continued support for the President's Budget so we can consolidate the gains made to date, improve those areas where shortfalls remain, and continue transforming the way the Navy-Marine Corps Team will fight in the 21st century.

BUILDING ON SUCCESS

The President's fiscal year 2004 budget, together with your support, will provide a strong foundation on which we can continue building on our successes. Our focus is on improving our ability to operate as an agile, lethal, ready, and effective member of a broader joint force that takes the complementary capabilities provided by each Service, and blends them into an integrated and effective force for meeting future challenges.

Increases in our Military Personnel accounts have a positive effect on the retention of our most valued assets—our Marines. Given the increasing pressure to modernize and transform the force, the Marine Corps is constantly working to identify and assess program tradeoffs to enable the most effectively balanced approach between competing demands and programs. These tradeoffs occur within a larger context of the Department's overall program tradeoff decisions, which is driving the Navy and Marine Corps to work more closely than ever before in our planning, budgeting, and decision making. An additional concern that complicates this process is the sizeable unfunded cost of the ongoing global war on terrorism.

Challenges also arise from the changing realities of our National security environment. The Marine Corps is committed to the idea that we will fight as an integral part of a joint team. We continue to place high priority on interoperability, shared concept development, and participation in joint exercises with our sister services.

Additionally, the security environment now demands that we pay more attention to our role in Homeland Defense, our critical infrastructure, and force protection—even as we deploy more forces overseas. These challenges demand that we balance competing priorities while remaining focused on maintaining excellence in warfighting.

Adapting to a Changing, Dynamic World

While we adapt the advantages of technology to meet the changing face of warfare, we draw strength from the unique culture and core values that make us “Marines.” We look for innovation in four broad areas to address future challenges: Transformational technology; New operational concepts; Refined organizations; and Better business practices.

Innovative approaches culled from these efforts should provide insight into new capabilities that we can adapt for future warfighting. In this regard, we are currently engaged in an immediate and critical tasking to define how we, along with our partners in the Navy, intend to project Naval power ashore in the 2015–2025 timeframe. This effort requires the intellectual rigor and participation of all the elements of our Marine Air-Ground Task Forces and is influencing the entire Marine Corps—from our structure and training to the way we will fight on future battlefields as an integral component of a joint force.

Technology and Experimentation

The plan for realizing future joint concepts consists of three closely related processes: (1) Joint Concept Development, (2) Joint Experimentation & Assessment, and (3) Joint Integration & Implementation. The overall process is more commonly known as Joint Concept Development & Experimentation. In order to ensure support and engagement throughout this process, the Marine Corps reorganized to establish three Joint Concept Development & Experimentation divisions under the cognizance of the Commanding General, Marine Corps Combat Development Command. These three organizations are key elements of Marine Corps Transformation and enable full Marine Corps involvement in Joint Experimentation and Transformation as well as the Navy’s Sea Trial process for Naval Experimentation and Transformation.

The Marine Corps Warfighting Laboratory maintains cognizance over Marine Corps-specific experimentation—with a focus on the tactical level—to develop enhanced warfighting capabilities for the future. Technologies and procedures are field tested in experiments conducted with the operating forces. In addition, the Lab coordinates closely with the Office of Naval Research to identify promising technologies that support the next generation of warfighting capabilities.

New Concepts and Organizations

The Marine Corps is streamlining force development from concept to acquisition under the Deputy Commandant for Combat Development. Our Expeditionary Force Development System is a single system of dynamic functions integrated into a process that produces and sustains capabilities to meet the needs of the Marine Corps and the Combatant Commanders. The Marine Corps advocates for ground combat, aviation combat, command and control, and combat service support, as well as the Marine Requirements Oversight Council, are key participants in the process. The Expeditionary Force Development System continuously examines and evaluates current and emerging concepts and capabilities to improve and sustain a modern Marine Corps. The system is compatible with and supports Naval and joint transformation efforts and integrates transformational, modernization, and legacy capabilities and processes. This integrated, concept-based driver for transformation is currently working on several ideas that will influence the future Marine Corps.

Expeditionary Strike Groups.—The Marine Corps and Navy are engaged in a series of experiments that will explore the Expeditionary Strike Group concept. This concept will combine the capabilities of surface action groups, submarines, and maritime patrol aircraft with those of Amphibious Ready Groups and Marine Expeditionary Units (Special Operations Capable), to provide greater combat capabilities to Regional Combatant Commanders. In the near future, the Navy-Marine Corps Team will conduct a pilot deployment on the west coast to test the Expeditionary Strike Group concept. Navy combatants have already been incorporated within the existing training and deployment cycle of the Amphibious Ready Group. This experiment will also allow us to test command-and-control arrangements for the Expeditionary Strike Group. It will provide critical information to support the future implementation of the concept and highlight any needed changes in service doctrine, organization, training, materiel, leadership and education, personnel, and facilities.

Tactical Aviation Integration.—The Navy and Marine Corps Team has embarked on a Tactical Aircraft (Strike-fighter) Integration plan that will enhance core combat capabilities and provide a more potent, cohesive, and affordable fighting force. This

integration is the culmination of a long-term effort to generate greater combat capability from Naval fixed-wing strike and fighter aircraft, and represents a shared commitment to employ the Department of the Navy's resources as judiciously as possible. This integration has been ongoing for several years, with four Marine Corps F/A-18 Hornet squadrons operating as part of embarked carrier air wings. This Navy-Marine Corps effort will guarantee that Naval aviation will be integrated as never before, and will effectively support the Marine Air-Ground Task Force and the joint warfighter. Specifically, the integration plan:

- Reinforces our expeditionary ethos
- Provides a smaller, more capable, more affordable force for the Department of the Navy
- Integrates Marine strike fighters in ten Navy Carrier Air Wings
- Integrates three Navy strike fighter squadrons into the Marine Unit Deployment Program
- Includes the global sourcing of all DoN strike fighter assets and ensures their support to Marine Air-Ground Task Forces and Regional Combatant Commanders
- Provides increased combat capability forward
- Complements the enhanced seabasing concept.

A cornerstone of this plan is Department of the Navy funding and maintenance of legacy aircraft at the highest levels of readiness until the Joint Strike Fighter and F/A-18E/F replace them. This requires an unwavering commitment to level funding of strike fighter readiness across the Department of the Navy. These integration-driven readiness levels will allow the Navy-Marine Corps Team to surge more aircraft than what is possible today.

Enhanced Networked Seabasing.—Fully networked, forward-deployed Naval forces and platforms that are integrated into our seabasing capability will provide Naval power projection for Joint Force commanders. These forces will use the sea as a means of maneuver, enabling a broad range of joint campaign operations. Sea-based operations incorporate, integrate, protect, and sustain all aspects of Naval power projection, from space to the ocean floor, from blue water to the littorals and inland—without dependence on land bases within the Joint Operating Area. Seabasing will provide enhanced capabilities to the Naval force, such as rapid force closure, phased arrival and assembly at sea, selective offload of equipment tailored for individual missions, and force reconstitution for follow-on employment. The traditional Naval qualities of persistence and sustainment—enhanced by advanced force-wide networks—underpin the staying power and flexibility of the sea base. Naval platforms can stay on-station, where they are needed, for extended periods of time. The at-sea maneuverability of the seabase, coupled with advanced under-way replenishment technologies and techniques, will ensure force readiness over time.

Integrated Logistics Capabilities.—The Integrated Logistics Capabilities effort began as a unique collection of military, industry and academic organizations collaborating to develop a future vision of Marine Corps logistics processes. The product is a set of transformational initiatives that will provide better support to the warfighter. The purpose of the Integrated Logistics Capabilities concept and process is to implement a transformation strategy, based on best practices, that provides the framework for the execution of agile, effective logistics support to the Marine Air-Ground Task Force, with the focus of streamlining the logistics chain.

Capabilities are being conceptually refined and incrementally validated in the Operating Forces as they are identified and recommended. An assessment of the Proof-of-Concept, published in November 2002 by the Center for Naval Analysis, reflected improved supply response time (68 percent reduction in time) and overall repair cycle time (33 percent reduction).

Over both the mid- and long-term, improved combat effectiveness and efficiencies in the logistics chain are expected. However, efficiencies cannot be fully realized until the people, process and technology changes are applied across the entire operating force. The logistics transformation and process modernization, together with the cutting edge suite of technologies provided by the Global Combat Support System, will greatly enhance the combat capabilities of Marine forces.

Reestablishment of Air-Naval Gunfire Liaison Companies.—We have validated the requirement to reestablish our Air-Naval Gunfire Liaison Companies (ANGLICO). These Companies will provide our Commanders a liaison capability with foreign area expertise to plan, coordinate, and employ terminal control of fires in support of joint, allied, and coalition forces. ANGLICO will be reestablished with a company on each coast, and a separate brigade platoon in Okinawa. Each company will have a habitual relationship with the reserves. Full operational capability is expected by late summer 2004.

Marine Corps—U.S. Special Operations Command Initiatives.—Today, 105 Marines are filling Special Forces billets around the world. In addition to providing the current Chief of Staff to U.S. Special Operations Command (US SOCOM), the Marine Corps provides support to and ensures interoperability with Special Forces through the actions of the SOCOM-Marine Corps Board. That board met twice in 2002 and developed initiatives in the areas of Operations, Training and Education, Communications/C⁴, Information Operations, Psychological Operations, Civil Affairs, Intelligence, Aviation, Future Concepts, and Equipment & Technology. One of the initiatives, pursued in coordination with the Naval Special Warfare Command, is the Marine Corps' first sizeable contribution of forces to the Special Operations Command. Consisting of 81 Marines and 5 Sailors, a detachment has been organized, trained and equipped to conduct special reconnaissance, direct action, coalition support, foreign internal defense and other special operations missions, and will begin training at Camp Pendleton California in June 2003. They will subsequently transfer to the operational control of US SOCOM during October 2003, and deploy in April 2004 as augmentation to a Naval Special Warfare Squadron supporting both U.S. Pacific Command and U.S. Central Command.

Better Business Practices

We continue to seek out and use better business practices to achieve greater cost-effectiveness, improve performance, and sharpen our focus on our warfighting core competencies. In line with the competitive sourcing initiatives in the President's Management Agenda, we are increasing emphasis across our Supporting Establishment on competing our commercial activities with the private sector. We are complementing this initiative with continued development of an effective Activity-Based Costing and Management initiative across our installations. This allows us to focus on the true cost of various functions and services and to develop benchmarks that enable us to improve performance and to focus analyses on cost-saving initiatives. This will occur both in commercial areas that we compete, and in non-commercial areas that cannot be competed. Competitions completed to date have resulted in saving millions of dollars annually and returning almost 900 Marines to the operating forces. We will continue to seek additional competition candidates. Activity-Based Costing and Management initiatives provided our installation commanders with cost and performance information that enabled them to save over \$37 million last year. As we refine our databases, we expect continuing increases both in performance and cost effectiveness.

Through all of the efforts outlined above, the Marine Corps is building on today's success. As we build on our current capabilities, embrace innovation, and transform to meet the daunting conventional and asymmetric threats to U.S. security in the 21st century, we will continue to be the Nation's Total Force in Readiness, fielding warriors whose unique seabased expeditionary and combined-arms capabilities will be critical to success in crisis and conflict. In the process of balancing our programs to meet these goals, we will focus on two primary objectives: (1) our main effort—maintaining excellence in warfighting, and (2) taking care of our Marines and families.

TAKING CARE OF OUR OWN

Providing for the needs of our Marines, their families and our civilian Marines remain among our top priorities. The most advanced aircraft, ship, or weapons system is of no value without highly motivated and well-trained people. People and leadership remain the real foundations of the Corps' capabilities. It is important to note that the Marine Corps operates as a Total Force, including elements of both active and reserve components. We continue to strengthen the exceptional bonds within our Total Force by further integrating the Marine Corps Reserve into ongoing operations and training.

Human Resources

End Strength.—The Congressionally authorized increase in Marine Corps end strength to 175,000 in response to the global war on terrorism is very much appreciated. This increase of 2,400 Marines allows us to sustain the increased missions associated with the activation of the 4th Marine Expeditionary Brigade (Anti-Terrorism), enabling us to replace Marines in the active units that we "borrowed" in standing up the Brigade, and continue to provide the Nation with a robust, scalable force option specifically dedicated to anti-terrorism.

Recruiting.—Sustaining our ranks with the highest quality young men and women is the mission of the Marine Corps Recruiting Command. Recruiting Command has consistently accomplished this mission for more than the past seven years for enlisted recruiting and twelve years for officer recruiting. These achievements

provide the momentum fueling the continuous pursuit to improve the recruiting process and enhance the quality of life for our recruiters. To continue to attract America's finest youth, Recruiting Command has provided recruiters with the best tools available to accomplish their mission. The Marine Corps supports the National Call to Service Act and continues to work closely with DOD in developing an implementation policy. We expect to commence enlisting individuals under this program commencing October 1, 2003. The Marine Corps Reserve achieved its fiscal year 2002 recruiting goals, accessioning 5,904 Non-Prior Service Marines and 4,213 Prior Service Marines. With regard to our Reserve Component, our most challenging recruiting and retention issue is the ability to fill out our Selected Marine Corps Reserve units with qualified officers. The Marine Corps recruits Reserve officers almost exclusively from the ranks of those who have first served a tour as an active duty Marine officer.

While this practice ensures our Selected Marine Corps Reserve unit officers have the proven experience, knowledge and leadership abilities when we need it the most—during mobilization—it limits the recruiting pool that we can draw from to staff our units. As a result, the Selected Reserve currently has a shortage of company grade (Second Lieutenant to Captain) officers. We are exploring methods to increase the reserve participation of company grade officers through increased recruiting efforts, increased command focus on emphasizing reserve participation upon leaving active duty, and reserve officer programs for qualified enlisted Marines. We are also pursuing the legislative authority to provide an affiliation bonus to reserve officers as an additional incentive for participation in the Selected Marine Corps Reserve.

Retention.—Retaining the best and the brightest Marines has always been a major goal of the Marine Corps. The Marine Corps is by design a youthful service, however, it is of paramount importance to retain the highest quality Marines to lead our young force. History has proven that leadership in the Staff Noncommissioned Officer ranks has been the major contributor to the combat effectiveness of the Marine Corps. The Marine Corps has two retention standards. Our First Term Alignment Plan has consistently achieved its reenlistment requirements over the past eight years. With one-third of the current fiscal year completed, we have achieved 87 percent of our first-term retention goal. A look at our Subsequent Term Alignment Plan (second tour and beyond) demonstrates that we have already retained 51 percent of our goal for this fiscal year. Both of these trends indicate healthy continuation rates in our career force.

Current officer retention is at an eighteen year high, continuing the strong performance of the last two years. Despite this positive trend, we cannot become complacent. As a Corps, we will continue to target specific qualifications and skills through continuation pay. Military compensation that is competitive with the private sector provides the flexibility required to meet the challenge of maintaining stability in manpower planning.

Marine Corps Reserve—Partners in the Total Force.—It is important to note that the Marine Corps operates as a Total Force, including elements of both active and reserve components. We continue to strengthen the exceptional bonds within our Total Force by further integrating the Marine Corps Reserve into ongoing training and operations. Concurrent with the various initiatives underway to improve integration and update capabilities, the Marine Corps Reserve continues to support its primary mission of augmentation and reinforcement. Reserve units and Marines provided over 1.8 million man-days in fiscal year 2002. Reserves provided support at all levels within the Marine Corps and at Combatant Commands and High-Level Staffs.

As we enter the 21st Century, the overall structure of Marine Forces Reserve will retain the current basic structure. However, Marine Forces Reserve is currently working to create new capabilities identified as part of its comprehensive review. Both as a structural and an operational change, Marine Forces Reserve is increasing its operational ties with the Warfighting Commanders by improving lines of communication with our operating forces. These increased operational ties will improve interoperability, increase training opportunities, and enhance the warfighting capabilities of the Total Force.

Mobilization.—Since the events of 9/11, the Marine Corps judiciously activated Individual Ready Reserve (IRR) Marines in response to both internal and joint operational requirements. The Marine Corps has maximized the use of individual volunteers to meet these requirements primarily in the areas of staff augmentation and force protection. In addition, Selected Marine Corps Units (SMCR), were activated for force protection requirements in support of homeland security. Because of emerging requirements associated with war on terrorism, we began involuntary recall of some of our Individual Ready Reserves on January 17, 2003.

Stop Loss.—On January 15, 2003, the Marine Corps instituted Stop Loss across the Marine Corps to meet the emerging requirements associated with the expanding war on terrorism. Stop Loss was initiated to provide unit stability/cohesion, maintain unit readiness, meet expanded force protection requirements, and to reduce the requirement to active IRR personnel. We will continue to make judicious use of this authority and continue to discharge Marines for humanitarian, physical disability, administrative, and disciplinary reasons. We have instructed our General Officers to continue to use a common sense approach and have authorized them to release Marines from active duty if it is in the best interest of the Marine Corps and the Marine.

Education

Our leaders—especially our noncommissioned officers—throughout the entire chain of command have kept the Corps successful and victorious. Their sense of responsibility is the cornerstone of our hard-earned successes. We will continue to develop leaders who can think on their feet, act independently, and succeed. In the future, as today, leaders will continue to instill stamina and toughness in each individual while simultaneously reinforcing character that values honor, integrity and taking care of our fellow Marines—including treating each other with dignity and respect. Aggressive and informed leadership demands education, training, and mentoring. The importance of these key elements cannot be over-emphasized, and we must attend to each at every opportunity.

Marine Corps University has responsibility and authority for the planning, coordinating and overseeing all education for our Marines. The University is accredited by the Southern Association of Colleges and Schools to confer Masters degrees and currently offers a Masters of Strategic Studies at the Marine Corps War College, and a Masters of Military Studies at the Command and Staff College. The Chairman of the Joint Chiefs of Staff currently accredits the War College, Command and Staff College, and the College of Continuing Education for Phase I Joint Education. The President of the University also exercises command authority over the Expeditionary Warfare School and the Staff Noncommissioned Officer Academies worldwide. Notable accomplishments include Department of Education approval of a Masters of Operational Studies at the School of Advanced Warfighting, which is the first step toward our third Master's degree program.

Plans for the future include providing coordination and continuity through a coherent education plan for all Marines. Our goal is to develop better warfighting leaders at all levels through an increased emphasis on relevant, structured education—at the graduate and undergraduate level—through both resident programs and distance education. Our intent is to greatly expand beyond the current emphasis on field-grade officers to support leadership development throughout the training and education continuum from Marine Private through General Officer, and to specifically bring senior Non-commissioned Officers further along the education continuum.

Our Lifelong Learning mission is to establish an integrated approach to learning; providing Marines with one destination for enrollment in a college program, access to research tools such as books, periodicals, and the Internet, basic skills enhancement, and nonresident courses. In the face of a requirement to increase Tuition Assistance from 75 percent to 100 percent of tuition costs, and the rate from \$187.50 per semester hour to \$250 per semester hour, the Marine Corps added the necessary funds to expand the Tuition Assistance program in the fiscal year 2004 POM, which provides sustainment until fiscal year 2009.

Quality of Life/Quality of Service

Congressional support for increases in the Basic Allowance for Housing, as well as the aggressive Marine Corps use of the Public Private Venture (PPV) authority provided by Congress five years ago, are resulting in dramatic improvements to the housing of our Marines and their families. Your continued support of our budget to help us achieve zero out-of-pocket expenses by fiscal year 2005 is greatly appreciated. The condition of other infrastructure, such as our barracks, workspaces, and training ranges, are also key factors in overall quality of life. While our infrastructure budgets reflect only the minimal essential military construction and re-capitalization necessary, they will allow us to achieve a re-capitalization rate of 67 years within the FYDP (down from 100 years in fiscal year 1999) and an improvement of our facilities readiness by fiscal year 2013.

We have been aggressively working to reduce the number of Marines and civilian Marines in non-core business areas, reapplying the Marines to other operational requirements, and looking to optimize the use of civil service/contractor support where appropriate. Our track record is good. By example, we have reapplied Marines in

the garrison food service and mobile equipment areas back to the operating forces and competed a significant number of civilian positions. We will continue this process in line with the President's Management Agenda to review fifty percent of our positions by fiscal year 2008. By ensuring that quality of service remains high, we will help maintain our successful record of recruitment and retention.

Families

The Marine Corps is an expeditionary force prepared to deploy on short notice to accomplish assigned missions. While we may recruit Marines, we almost always retain families—it becomes a family decision for a Marine to stay for an entire career. Because of our expeditionary culture, deployment support is provided to Marines and their families as part of our normal operations, largely through the efforts of Marine Corps Community Services. In addition to concerted efforts to improve housing and family services, security and support is offered during pre-deployment, deployment, and post-deployment phases of our operations. The Marine Corps also offers numerous programs focused on new parent support and the prevention of domestic violence, as well as services and programs for infants, toddlers, children and teens. The Exceptional Family Member Program focuses on assistance to service personnel who have a family member with special needs before, during and after Permanent Change of Station Orders.

Safety

Ensuring a safe command climate and working environment remains a critical concern for the Marine Corps. Often, the settings and the work our Marines do are dangerous, but effective command climates continually mitigate those dangers through planning and leadership. Our safety programs are integral to force protection and operational readiness. Leadership and programming in safety awareness and standards are vital to providing Marines and their families with a meaningful quality of life and service. On the heels of a very successful year prior, fiscal year 2002 was a disappointing year for safety in the Corps, as we lost more Marines to mishaps in fiscal year 2002 than we had in any single year for the preceding decade. Our aviation mishap rate increased as well (from 1.40 to 3.9 class A mishaps per 100,000 flight hours).

These results do not indicate a lack of desire to safeguard Marines. Rather, several factors were involved that made it particularly difficult to prevent mishaps through normal operational risk management efforts. Demographically, the Marine Corps is a younger force than the other Services (by an average six to eight years), with maturity being a contributing factor in many mishaps; however, none of these factors are excuses for any failure to avoid preventable mishaps. Our leadership at all levels is deeply concerned about the negative trend and we are actively involved in multiple efforts to improve readiness and save our most precious Marines and valuable equipment.

OUR MAIN EFFORT—EXCELLENCE IN WARFIGHTING

Marines have a vision for the future, and we are moving forward with the modernization and transformation efforts needed to make this vision a reality. We fully understand that our vision cannot be achieved independent of our sister Services. Each of the Services has its own critical role to play in providing for our Nation's collective security; however, it is important that each of our contributions be, simultaneously, both unique and complementary. In particular, the Corps stresses the importance of our key partnership with the Navy. The Navy-Marine Corps Team has never been stronger, or more necessary for our Nation.

We have stated that our first concern is with the care and stewardship of our people. This philosophy extends to the rest of our programming in that we focus on procuring the programs and equipment that will maximize the abilities of our Marines to perform effectively in combat. With the foundation of requirements drawn from our emerging concepts, the Marine Corps is transforming its warfighting systems and assets throughout the elements of our Marine Forces. The following examples reflect but a few of our transformation and modernization efforts. A more comprehensive description of the Marine Corps' entire acquisition program can be found in the publication entitled *Marine Corps Concepts & Programs 2003*.

Training

We believe the enduring wisdom, "you fight the way you train." Because of this, our training exercises are becoming ever more Joint and Combined to provide our Marines with the experience they will need when called upon to respond to crises—because there is no doubt that we will work alongside our sister Services and coalition partners from other Nations in such circumstances. The Marine Corps Combat

Training Center at Twenty-nine Palms, California focuses on integrated live fire and maneuver, as well as combined arms training, and will continue to play a central role as our foremost training and testing site for Expeditionary Maneuver Warfare. Ongoing initiatives will expand the role of the Combat Training Center and transform it into a "Center of Excellence" that will focus the training efforts across our operating forces. The Combat Training Center facilitates and supports the development of new concepts and capabilities, thereby reinforcing our combat effectiveness, enhancing joint interoperability, and supporting Dodd transformation efforts.

The future role of the Combat Training Center will grow beyond its current emphasis on battalion-level integrated live fire, combined arms training to support expanded training opportunities for all elements (ground, air, combat service support, and command) of Marine Air-Ground Task Forces up to and including a Marine Expeditionary Brigade. This will include: enabling multi-site, distributed training evolutions that tie together units from various bases; and investing in technology that simultaneously links live, virtual, and constructive training. Additionally, improvements to the existing Expeditionary Air Field and construction of a large-scale urban training facility are being studied as possible ways to enhance training opportunities at Twenty-nine Palms. All of these efforts have the potential to increase the capability of our training center to support evolving training requirements, enabling the Corps to maintain its focus on uniquely Marine training skills, while providing a vehicle to further integrate Marine Corps capabilities into those of the Joint Force.

Infrastructure

Marine Corps infrastructure consists of fifteen major bases and stations and 185 Reserve facilities in the United States and Japan. In keeping with the Corps' expeditionary nature, these installations are strategically located near air and seaports of embarkation, and are serviced by major truck routes and railheads to allow for the rapid and efficient movement of Marines and materiel. Recognized as the "fifth element" of the Marine Air-Ground Task Force because of the close link to the operating forces and their operational readiness, the condition of the Corps' bases and stations is of vital importance. With the ability to train as an integrated force being a fundamental requirement of the Corps, infrastructure development planning is designed to provide the facilities, training areas, and ranges (both air and ground) to accomplish this requirement while minimizing excess and redundant capacities. With increasing encroachment pressures and constrained fiscal resources, the Marine Corps face significant challenges to provide and maintain a lean and efficient infrastructure that fully meets changing mission demands.

Blount Island Acquisition.—We are committed to undertake the wisest possible course to conserve our real property and, when necessary, to acquire any additional property that is mission critical. The Blount Island facility in Jacksonville, Florida, is a National asset that must be acquired to ensure its availability for long-term use. Blount Island's peacetime mission of supporting the Maritime Pre-positioning Force is vitally important, while its wartime capability of supporting large-scale logistics sustainment from the continental United States gives it strategic significance. The facility will play a vital role in the National military strategy as the site for maintenance operations of the Maritime Pre-positioning Force for years to come. The Marine Corps plans to acquire the Blount Island facility in two phases. Phase 1, funded in fiscal year 2000 and fiscal year 2001, is currently in progress and is will acquire interests in approximately 311 acres of land for the primary purpose of ensuring public safety on parcels adjacent to the leased central management operational area. Phase 2, planned for fiscal year 2004, involves acquisition of the central maintenance operational area, consisting of over 1,000 acres.

Training at Eglin Air Force Base.—With cessation of training at Vieques, Puerto Rico, the established training ranges, quality of training support, and proximity to the ocean available at Eglin Air Force Base, Florida, can provide Naval Expeditionary Forces with an alternative training capability. Eglin's capabilities, location, and tenant commands provide the opportunity to facilitate joint training between Air Force, Navy, Marine Corps, Army and Special Operations Forces. Development of an expeditionary force training capability at Eglin can support the Secretary of Defense's vision and direction for training transformation and the development of a Joint National Training Capability. This type of training will be critical to Naval expeditionary combat-readiness.

The Marine Corps proposes to execute two ten-day training exercises with a Marine Expeditionary Unit at Eglin each year. These exercises include a variety of scenarios such as amphibious landings, raids, mechanized operations, helicopter operations, and live fire and maneuver exercises. No final decision on training activities will be made until an Environmental Assessment currently underway is completed.

The Navy and Marine Corps are actively working to develop and sustain cooperative relationships with the local community and the State of Florida.

Encroachment and Environmental Issues.—Encroachment—defined as any deliberative action that can cause the loss of, or restrict, the use of land, airspace, frequency, or sea maneuver areas—is a serious threat to the operational readiness of the Corps. Urban and residential areas now surround many Marine installations that were originally remotely situated. This growth is often accompanied by pressure for access to Marine Corps resources, or demands to curtail Marine Corps operations to make them more compatible with surrounding land uses. The Corps' training lands often provide excellent habitat for threatened and endangered species, serving as islands of biodiversity amid the crush of densely populated urban areas that surround many of our installations. The Marine Corps is proactively engaged with federal, state, and local agencies and governments, as well as nongovernmental organizations, to provide win-win solutions to these encroachment pressures, and ensure compatible land usage and environmental security without degrading training and mission readiness. Unimpeded access to our installations and ranges is critical to the Marine Corps remaining America's "Force in Readiness."

Our Nation has crafted a strong environmental code of conduct structured on a wide range of federal, state, and local laws and regulations. Vague or inflexible environmental requirements, however, can present significant challenges for Marines performing their primary mission. We support ongoing efforts to seek clarity and limited flexibility in certain environmental laws, so that we may more effectively balance our training requirements with our long-term environmental stewardship responsibilities. Our ultimate goal is to "fight the way we train," while preserving the natural environment. Today, Marines at all levels perform their jobs with an increased awareness of potential environmental impacts. All of our bases and stations, for example, have implemented Integrated Natural Resource Management Plans and aggressive pollution prevention programs. The hard work does not end with these initiatives. The impact of encroachment on the Corps' ability to fully utilize its installations are varied and require constant vigilance and attention to ensure that operational readiness is not diminished.

Command and Control

Interoperability is the key to improving Naval expeditionary command and control effectiveness, especially as we begin to integrate battlespace sensors residing in our manned and unmanned aerial, space, and ground vehicles. This is particularly true as the Marine Corps continues to work routinely with a range of government, nongovernment, and international agencies. The command, control, communication, and computer (C⁴) end-to-end interoperability of the Global Information Grid will serve to enhance our ability to conduct joint, multi-department, and multi-agency operations through the use of technology, standards, architectures, and tools.

The Marine Corps works closely with the Joint Staff, combatant commanders, operating forces, and other Services to ensure that, where possible, joint concepts of operations are developed for common capabilities. An example of this process is occurring with the development of the Joint Tactical Radio System, which combines numerous single function programs of current inventories into a single, interoperable, joint radio program that will provide secure digital communications while enhancing wideband tactical networking.

Intelligence

Our fiscal year 1996-fiscal year 2003 enhancements to Marine Intelligence Support are paying off during Operation Enduring Freedom and the Global War on Terrorism. Intelligence Support organic to Marine Forces combined with capabilities from our Marine Corps Intelligence Activity in Quantico, Virginia to provide federated production (reachback) support has been validated through current operations. Marine Expeditionary Unit's forward deployed with organic all-source intelligence collection and production capabilities provide current intelligence support to Marine and Special Operations units. Our deployed signals intelligence, human intelligence, ground sensor, and reconnaissance teams provide the commander current situational awareness. All-source intelligence Marines have the systems and training to integrate organic collection, network with the joint force on the ground, and effectively reach back to the Marine Corps Intelligence Activity and joint centers at secure locations.

Mobility

While the global war on terrorism has demonstrated the current capabilities of the Navy-Marine Corps Team, our continuous transformation and modernization efforts hold even greater potential for increasing Naval power projection capabilities in the future. Many of these efforts focus on increased speed, range, payload, and

flexibility of maneuver units—mobility. This concept includes a vision of an all-vertical lift Air Combat Element, with the introduction of tiltrotor and Short-Take-Off/Vertical-Landing (STOVL) aircraft. The following initiatives are some of the keys to the achievement of Marine Corps operational mobility objectives:

MV-22 Osprey.—The MV-22 remains the Marine Corps' number one aviation acquisition priority. While fulfilling the critical Marine Corps medium lift requirement, the MV-22's increased capabilities of range, speed, payload and survivability will generate truly transformational tactical and operational opportunities. With the Osprey, Marine forces operating from the sea base will be able to take the best of long-range maneuver and strategic surprise, and join it with the best of the sustainable forcible-entry capability. Ospreys will replace our aging fleets of CH-46E Sea Knight and CH-53D Sea Stallion helicopters.

KC-130J.—The KC-130J will bring increased capability and mission flexibility to the planning table with its satellite communications system, survivability, and enhancements in aircraft systems, night systems, and rapid ground refueling. The KC-130J is procured as a commercial off-the-shelf aircraft that is currently in production. We are pursuing a multi-year program for purchase with the U.S. Air Force.

Advanced Amphibious Assault Vehicle.—The Advanced Amphibious Assault Vehicle (AAAV) is the Marine Corps' only Acquisition Category 1D program and will be one of the principal enablers of the Expeditionary Maneuver Warfare concept. AAAV will provide never before realized high-speed land and water maneuver, a highly lethal day/night fighting ability, and advanced armor and Nuclear-Biological-Chemical protection. This—coupled with a systematic integration into emerging service and Joint Command and Control networked information, communications and intelligence architectures—will provide the Marine Corps with increased operational tempo, survivability, and lethality across the spectrum of operations.

Maritime Pre-positioning Force.—The Maritime Pre-positioning Force (Future) will be the true enabler of primarily sea-based operations. When it becomes operational, the future Maritime Pre-positioning Force role will expand beyond that of today, and will provide a true seabasing capability. In this regard, it will serve four functions that the current capability cannot: (1) Phased at-sea arrival and assembly of units; (2) Selective offload of equipment and cargo; (3) Long-term, sea-based sustainment of the landing force; and (4) At-sea reconstitution and redeployment of the force. The Naval Services are exploring several new technology areas during the development of Maritime Pre-positioning Force (Future). Currently, the Maritime Pre-positioning Force (Future) Program is conducting an analysis of alternatives to inform an acquisition decision by the Office of the Secretary of Defense.

High-Speed Vessel (HSV).—High-speed vessels will enhance the Marine Corps' capability to perform a wide range of missions, from providing support to a theater security cooperation plan to sustaining long-term operations ashore. High-speed vessels can enhance our ability to conduct sea-based operations and use the sea as maneuver space. HSVs do not have the loitering and forcible entry capabilities of amphibious ships or the pre-positioning capacity of our Maritime Pre-positioned Force Squadrons. However, their shallow draft, high speed, maneuverability, and open architecture make them a valuable link in a seamless logistics system that extends from source of supply to the sea base and the joint force, enabling a faster, more responsive, and capable deployment of a range of force modules from forward-based "hubs" such as Okinawa, or from the United States. The Marine Corps is currently testing and validating these concepts by employing a high-speed vessel in the Pacific theater as a form of strategic lift.

Power Projection Platforms.—Combined with embarked Marines, Naval expeditionary warships provide the Nation with forward-presence and flexible crisis response forces. They also provide a truly unparalleled expeditionary forcible-entry capability. As part of a joint effort, the Marine Corps will remain capable of getting to the fight rapidly in order to decisively deter or defeat adversaries who try to impose their will on our country or its allies. A fiscally constrained programmatic goal of twelve Amphibious Ready Groups—one that deliberately accepts increased operational risk by attempting to balance force structure with available resources—does not change the warfighting requirement to lift the Assault Echelons of three Marine Expeditionary Brigades via future platforms for amphibious shipping. The Marine Corps supports the LPD-17 and a modified LHD-8 ("Plug Plus") ship design in fiscal year 2007 and will evaluate the adequacy of the R&D and SCN funding for the development of future LHA(R) ships for the remainder of the class.

Mine Countermeasure Capabilities.—Naval expeditionary forces require an effective counter-mine warfare capability to open and maintain sea lines of communication and to operate within the littoral battle space. This is probably our greatest concern when it comes to projecting power in an anti-access environment. With re-

spect to mine countermeasures, we require a family of capabilities that encompasses mine detection, location, neutralization, marking, and data dissemination. Designed to provide an organic mine counter-measures capability within operationally acceptable timelines and with acceptable levels of operational risk, this next generation of systems includes the Advanced Mine Detector, the Assault Breacher Vehicle, the Remote Minehunting System and the Long-term Mine Reconnaissance System. Our most critical mine countermeasures deficiencies exist in the area near the shoreline through the high water mark and beyond, where detection and neutralization capabilities are extremely limited. Given the broad proliferation of known and unknown mined areas throughout the world, we must improve our ability to operate in this exceptionally lethal environment. Our intent is to leverage America's strength in technology to dramatically improve our ability to locate and avoid or neutralize mines and obstacles as necessary, and eventually remove the man from the mine-field.

Fires and Effects

With the increased range and speed of expeditionary mobility assets, the landward area of influence of Naval forces has increased by an order of magnitude. Consequently, the Nation requires weapon systems with correspondingly greater range, lethality, flexibility and tactical mobility. A range of lethal and non-lethal fire-support programs is moving the Corps in that direction. The development and acquisition of non-lethal weapons systems will expand the number of options available to commanders confronted with situations in which the use of deadly force is inappropriate. The Marine Corps is developing a robust non-lethal capability that will address the non-lethal core requirements of clearing facilities, crowd control and area denial. Additionally, we are enhancing the capabilities with which we can affect our adversaries that defy the traditional concept of weapons and fire-support means. Technical advances in directed-energy weapons hold much promise for future capabilities in this area.

Joint Strike Fighter.—The Joint Strike Fighter is the next-generation strikefighter for the Marine Corps, Air Force, and Navy and will replace the Marine Corps' AV-8B and F/A-18A/C/Ds. The JSF family of aircraft will include a short takeoff and vertical landing (STOVL) variant, a conventional take-off and landing (CTOL) variant, and an aircraft carrier-capable variant. Commonality between the variants will reduce both development and life cycle costs and will result in significant savings when compared to the development of three separate aircraft. The Marine Corps requires that its STOVL variant be able to operate from large-deck amphibious ships, austere sites, and forward operating bases. The STOVL Joint Strike Fighter version can use from three to five times more airfields around the world than our existing conventional take-off and landing aircraft. Moreover, because the STOVL variant can operate from both conventional carriers and amphibious assault ship decks, it thereby effectively doubles the number of platforms available for seabased operations. The advantages of a stealthy STOVL strike fighter—capable of taking off from an expeditionary base on land or at sea, flying at supersonic cruise, accomplishing its mission with advanced sensors and weapons, and then returning to its expeditionary site—are dramatic. The STOVL Joint Strike Fighter will provide the reliability, survivability, and lethality that Marines will need in the years ahead, and transform the very foundations of Naval tactical air power for the 21st Century.

Naval Surface Fire Support.—Our ability to provide fires in support of expeditionary forces operations beyond the beach has not kept pace with the dramatic increases in mobility. Critical deficiencies currently exist in the capability of the Navy to provide all-weather, accurate, lethal and responsive fire support throughout the depth of the littoral in support of expeditionary operations. The Marine Corps supports the Navy's near-term efforts to develop an enhanced Naval surface fire support capability with the fielding of the 5-inch/62-caliber Naval gun and the development of extended-range munitions. In the far-term, the Marine Corps supports the development and fielding of the Advanced Destroyer [DD(X)], armed with 155 mm Advanced Gun Systems and Land Attack Missiles, to fully meet our Naval surface fire support requirements. Our Nation's expeditionary forces ashore will remain at considerable risk for want of suitable sea-based fire support until DD(X) joins the fleet in significant numbers.

Indirect Fire-Support.—A triad of indirect fire-support programs will provide needed firepower enhancements for Marines in the near- to mid-term. The first element of the triad is the Lightweight-155 mm (LW-155) towed howitzer needed to replace our current M-198 howitzer, which is at the end of its service life. The Lightweight-155 is a joint Marine Corps-Army effort that will meet or exceed all the requirements of the current system while significantly reducing its weight.

The second element, the High Mobility Artillery Rocket System (HIMARS), will deliver very high volumes of rocket artillery in support of the ground scheme of maneuver. The HIMARS will provide accurate, responsive general support and general support reinforcing indirect fires at long range, under all weather conditions, and throughout all phases of combat operations ashore. It will fire both precision and area munitions to a maximum range of 36 miles.

The Expeditionary Fire Support System, the third system of the land-based fire support triad, will accompany Marines in any expeditionary mode of operation. It will be the primary indirect fire-support system for the vertical assault element of the ship-to-objective maneuver force. The Expeditionary Fire Support System, as a system, will be internally transportable by helicopter or tilt-rotor aircraft to allow the greatest range and flexibility of employment for our future operations.

Information Operations.—Defense planners are engaged in studies exploring Information Operations as a core military competency, fully integrated into both deliberate and crisis action planning. The Marine Corps intends to enhance our operational capability in both offensive and defensive Information Operations. Marine Corps doctrine and warfighting publications are being reviewed and revised to acknowledge Information Operations as a core warfighting capability fundamental to all operations spanning the spectrum of conflict with equal significance during non-combatant and humanitarian operations. We recognize a requirement to develop and train an Information Operations career force of trained professionals from the ground up in support of joint and inter-agency efforts.

New Weapons Technologies.—The Corps is particularly interested in adapting truly transformational weapon technologies. We have forged partnerships throughout the Department of Defense, other Agencies, and with industry over the past several years in an effort to develop and adapt the most hopeful areas of science and technology. Several notable programs with promising technologies include: (1) advanced tactical lasers, (2) high-power microwave, non-lethal active denial systems, (3) free electron lasers, (4) electro-magnetic guns (rail guns), and (5) common modular missiles for aircraft.

Logistics and Combat Service Support

The Marine Corps logistics' vision is to significantly enhance the expeditionary and joint warfighting capabilities of our Operating Forces. Key warfighting capabilities encompassed in our future concepts—Enhanced Networked Seabasing and Ship-To-Objective-Maneuver—will be defined by our logistic capabilities and limitations. Hence, we are committed to exploring and implementing actions to increase combat power, operational versatility, and deployability. The concept of focused logistics in Joint Vision 2020 is guiding the Marine Corps as we strive to increase the sustained forward-deployed capability of our forces. Future force combat service support—and the Marine Corps logistics that enables it—will be changing as we shift more of our operations to the sea base. At the forefront of this effort is the Marine Corps Logistics Campaign Plan that outlines essential objectives and tasks based upon overarching Marine Corps, Naval, joint, and DOD concepts and guidance. Our strategy encompasses four pillars:

Logistics Information Fusion and C².—A key to current and emerging warfighting capabilities is a robust and responsive logistics information technology capability—one that is integrated with our command-and-control architecture and interoperable with Naval and joint systems. The Global Combat Support System—Marine Corps (GCSS-MC) and shared data environment, along with the Common Logistics Command and Control System, provide logisticians across the Marine Corps with a set of common logistics assessment, planning, and execution tools that are interoperable with the common operating picture.

Seamless Distribution.—The single capability that defines Marine Forces in a joint environment is its ability to sustain itself over an extended period of time. The principal goal is to move from defining sustainment in terms of deployable “days of supply” to a continuous uninterrupted sustainment capability for the force. A key element in achieving this is integrating current distribution processes and systems into broader Naval and joint distribution processes. Achieving this capability will not only greatly enhance Naval operations, but will be transferable to the task of sustaining joint forces and operations.

Enhanced Equipment Readiness.—The bulk of our logistics effort and associated “footprint” is driven by its equipment-support activities. The Marine Corps seeks to reduce the required level of support for equipment by greatly improving the reliability, availability, and maintainability of ground tactical equipment.

Enterprise Integration.—Achieving the emerging warfighting capabilities envisioned by future concepts require dynamic shifts in our logistics processes and orga-

nizations. Leading this effort toward logistics modernization is true enterprise integration consisting of GCSS-MC, process reengineering, and organizational reform.

CONCLUSION

The major challenges confronting the Marine Corps today center on organizing, training, and equipping our force to better support joint force commanders, now and in the future. The modernization programs and the transformational systems that we are pursuing are key to our ability to meet the Nation's wartime, crisis, and peacetime requirements. We have put into place well-conceived programs addressing the needs of our Marines and their families, the requirement to enhance the current readiness of legacy systems, the critical role infrastructure plays in present and future readiness, and the balance between modernization and transformation.

We are focusing on the development of integrated capabilities that, when combined with those of our sister Services and Special Operations Forces, will effectively meet the challenges of an increasingly varied and threatening National security landscape. You can remain justifiably proud of what your Marine Corps contributes as America's forward engagement and expeditionary combined-arms force. We are grateful for the unwavering support you provide in this vitally important work.

Senator STEVENS. Thank you very much, gentlemen, and I apologize for not being here at the opening so I will just submit my opening statement in the record. We will soon take up the supplemental, and I was working on it, as I said.

[The statement follows:]

PREPARED STATEMENT OF SENATOR TED STEVENS

Secretary Johnson, Admiral Clark and General Hagee, I welcome all of you today.

Today we will discuss the fiscal year 2004 budget request for the Navy and Marine Corps. We are currently considering the Administration's request for a fiscal year 2003 supplemental for Operation Iraqi Freedom and the continuing Global War on Terrorism. We know how much the Navy and Marine Corps need this additional funding and will do all we can to get this to you as quickly as possible.

The last two years have been a time of extraordinary accomplishment, effort, dedication, and duty for the men and women of our Navy and Marine Corps. Since September 11, 2001, the Navy/Marine Corps team expanded the role of what was thought possible for carrier-based flight operations and expeditionary landing forces. Now, in Operation Iraqi Freedom, our Navy and Marine Corps continue this excellence in the air, on the ground, and at sea.

Right now, the Navy has 54 percent of the fleet forward deployed and 68 percent of the fleet underway. I believe that this is the highest deployed percentage since World War II. Also interesting, is that the Navy is also the smallest it's been since World War II—dropping to about 300 ships this year. All this, while at the same time, the Navy is achieving its highest retention rates in history.

The Marine Corps is equally engaged. 90 percent of the deployable Marine Corps force is deployed today. This is 56 percent of the total U.S. Marine Corps end strength, the highest percentage since World War II.

We look forward to your testimonies today on your priorities for the fiscal year 2004 budget. As always, your full statements will be made a part of the record.

Senator STEVENS. I do want you to know we are grateful to you for what you are doing, and for what all of the Navy and Marine Corps are doing to support the war in Iraq and the war in Afghanistan and the war against terrorism.

OPERATIONS AND MAINTENANCE

Let me start off by saying this, that the Army and Air Force have informed us that because of the funds that have already been expended for these efforts that I mentioned, there will be a shortage in funds for operation and maintenance (O&M) for their services by sometime in May. Is that the situation with you also?

Secretary JOHNSON. I would say the summer, but it will vary from May to July, but the same time frame.

Senator STEVENS. They said their initial shortages will start in May. Is that the situation with the Navy and Marines?

Secretary JOHNSON. Yes, sir.

Senator STEVENS. General Hagee?

General HAGEE. Yes, sir, it is. Without the supplemental that is a true statement, sir.

Senator STEVENS. Admiral Clark?

Admiral CLARK. I will run out of money in June, the first part of June.

SEA BASING

Senator STEVENS. We have just seen the situation that has developed because of our lack of access to the land mass of Turkey. I was reminded last night of the proposal that was outlined to us just informally by one of your predecessors, Admiral Clark, a man for whom I had great regard, and unfortunately he left us in a strange way, Admiral Boorda.

He outlined the plans for a floating cargo type landing facility that could be easily moved from theater to theater. Whatever happened to his proposal?

Admiral CLARK. I did not see the specifics of that proposal, Mr. Chairman, but I will tell you that when I talked about an exciting future for the Navy-Marine Corps team, I will tell you that as we look at the development of future ways to exploit the sea under our sea basing concept and construct, we have taken the approach that we are going to challenge every assumption, and in the coming years, it is not reflected in this budget because we are doing a lot of examination of potential concepts right now with the Marine Corps, looking at ways we can exploit the operational advantage and independence of operating from the sea. And so I will tell you that we believe that there is potential for new kinds of approaches and new kinds of platforms, and this is a key part of the Maritime Prepositioning Force (MPF) future concept. I will tell you that 2 years ago when we heard the word MPF future——

Senator STEVENS. What does that mean?

Admiral CLARK. That is the maritime preposition force for the Marine Corps. I will tell you that now General Hagee and I are looking at ways that that kind of capability can be exploited by both of us. And I will not try to define it this morning, Mr. Chairman, but I will tell you that I believe that our future is about exploiting those kind of potential opportunities.

Senator STEVENS. Well, I commend to you the research that Admiral Boorda had done, and urge you to go back and look at it to see what happened to it because it sort of disappeared, but I will not belabor it here now.

General Hagee, I think it is clear that the concept of air superiority is something we must maintain. One of the things that we have been very interested in is the new cutting edge aircraft, the V-22. Tell us, what is the situation now?

V-22 PROGRAM

General HAGEE. Sir, we continue to work on testing the V-22 and I can report to you, sir, that that testing is going very well. We are about 80 to 85 percent finished with a high rate of dissent

testing, which investigates the so-called vortex ring state phenomena where the aircraft comes down and actually flies through its own wash when it is in the helicopter mode. And what we have found is that the model accurately predicts what will happen to that aircraft when it enters its downwash.

We have found that the envelope for the V-22 is actually larger than for a normal helicopter, in other words, it is not as vulnerable to this phenomena as a normal helicopter is. In addition, we have found that it is easier to exit this phenomena in the V-22, you simply rotate the nacelles forward and you go into horizontal flight and you fly out of it.

We are also about 80 percent finished with the low speed maneuverability testing, and that is going very well. A couple months ago we landed on board amphib, absolutely no problem at all.

Through inspections we have found that the rubbing that was noticed before we did the redesign on the engine is no longer occurring, so I can report to you that that testing is going very well and I am very optimistic about the aircraft.

Senator STEVENS. Good. Your predecessor made a commitment to me that I would ride on that very soon, and I believe it is one of the real significant portions of our aeronautical capabilities. You are testing a plane that will be used in the future not only by you but by the Army and by the civilian sector to a great extent.

As a matter of fact, there is a civilian portion of it that has not had some of the problems that the larger ones have, as I understand it. So, I would hope you keep us posted.

PRIOR YEAR SHIPBUILDING COSTS

Let me ask Secretary Johnson, and then I have to leave, Secretary Johnson, last year at the request of I believe your Department, added \$635 million to the President's budget request to help the Navy pay for shipbuilding cost overruns. My staff advises me that despite the fact we provided those funds to pay for those bills, that the overruns and deficits remain the same. What happened to the \$635 million we provided last year?

Secretary JOHNSON. Sir, our deficits this year are the lowest they have been in, I think we said 10 years, and that is largely due to the great work that John Young is doing as our head of research, development and acquisition. We are watching those very carefully, and I can provide you the exact number.

Senator STEVENS. Am I improperly advised that your bills for past overruns are—have been paid? I have been told they were not paid, despite the fact that we put up the \$635.

Secretary JOHNSON. Sir, it is my understanding that they have been paid. This year the deferred ones are on the order of 100, which is less than it has been in 10 years or more. So the account is in better shape now than it has been in a long, long time.

Senator STEVENS. Will you give us a statement for the record of the prior year bills that have not been paid for the Navy?

Secretary JOHNSON. Yes, sir, I will.

[The information follows:]

Question. Explain status of overall PY bill throughout the FYDP to include why fiscal year 2004 PB request is the same as the fiscal year 2003 PB despite the Congressional increase.

Answer. From PB03 to PB04 there was a \$225.5 million increase in the overall PY bill (PB03—\$3,546, PB04—\$3,771.5). The \$635 million Congressional increase in fiscal year 2003 was used to pay for this increase in the overall PY bill and to reduce the PY bill in fiscal year 2004-fiscal year 2006 by \$409.5 million. The upcoming PY bills were reduced as follows:

[In millions of dollars]

	PB03	PB04	Change
Fiscal year:			
2004	645.9	635.5	— 10.4
2005	743.7	484.4	— 259.3
2006	185.3	45.5	— 139.8
Total .....	.....	.....	— 409.5

Question. Explain SECNAV's statement that PY bill was in the "best shape it has ever been in".

Answer. The initiatives described in our Prior Year Report to Congress of 2002 February 2003 have been very effective in reducing the rate of increase in prior year shipbuilding costs. The prior year cost growth from the fiscal year 2003 President's Budget request to the fiscal year 2004 President's Budget request is 6 percent, as compared to the 16 percent and 256 percent growth rates from the two previous budget submissions.

Initiatives undertaken over the past year to address the prior year shipbuilding costs, and to prevent cost estimate increases in future programs include: (1) Elimination of configuration changes except to remedy Government responsible defects; (2) Executive oversight and new funding in addition to the budget baseline for mandatory changes in requirements; (3) Reinstitution of the Chief of Naval Operations (CNO) Ship Characteristics Improvement Panel Process; (4) Budgeting to Cost Analysis Improvement Group (CAIG) estimates; (5) Employment of Engineering Development Models to mitigate technology risk; and (6) Adjustment of scope prior to contract award to better ensure budget alignment.

Question. Breakdown all cost increases (by platform) and provide the reason for the increase.

Answer. In recent years, the shipbuilding industry has experienced material and labor escalation rates that exceeded the Department's projections. Contributing factors include cost increases for health care and workman's compensation costs that are not unique to the shipbuilding industry.

A breakdown of all cost changes by platform (PB03 to PB04):

DDG

[In millions of dollars]

	Fiscal year—					Total
	2003	2004	2005	2006	2007	
PB03	125.5	59.4	70.2	38.1	.....	293.2
PB04	383.5	75.9	128.3	0	.....	587.7
Change	258.0	16.5	58.1	— 38.1	0	294.5

Reason for \$294 million increase:

- \$100 million—Higher labor, overhead, & production hour estimates.
- \$96 million—PB03 budgeted change orders at 3 percent of basic, whereas historic data supports 5 percent.
- \$98 million—Increase in DDG 102 ship cost as a result of the ship being transferred from NGSS to BIW.

VA CLASS

[In millions of dollars]

	Fiscal year—					Total
	2003	2004	2005	2006	2007	
PB03	276.682	213.1	254.4	75.8	.....	820.0
PB04	326.7	300.4	91.3	38.7	.....	757.1

VA CLASS—Continued

[In millions of dollars]

	Fiscal year—					Total
	2003	2004	2005	2006	2007	
Change	50.018	87.3	— 163.1	— 37.1	0	— 62.882

Reason for \$62.9 million decrease:

- \$62.9 million for Post Shakedown Availability (PSA) moved to the Post Delivery and Outfitting (PD/OF) line.
- PSA costs are properly funded in PD/OF, not in ship end cost.

LPD

[In millions of dollars]

	Fiscal year—					Total
	2003	2004	2005	2006	2007	
PB03	242.7	373.4	419.1	71.4	.....	1,106.6
PB04	569.7	259.2	264.8	6.8	.....	1,100.5
Change	327.0	— 114.2	— 154.3	— 64.6	0	— 6.1

Reasons for \$6.1 million decrease:

- \$10 million of PB03 request absorbed by program.
- \$3.9 million net increase resulting from decrease in PYC bill, Swap, increases from higher CAIG estimate, and increases in shipyard rates.

IMMINENT DANGER PAY AND FAMILY SEPARATION ALLOWANCE

Senator STEVENS. I hope, gentlemen, you will excuse me. We had the Army hearing on March 19th and the Air Force hearing on March 26th, and I asked your predecessors, and maybe I should not just throw it at you, but we have an amendment pending that would increase the hazardous duty pay.

In the Persian Gulf War, the amount going into the war was \$100 and now it has increased to \$150. Family separation was increased from \$75 to \$100. The proposal was to increase the \$150 to \$400 and the \$100 to \$400, and that would come out of your existing appropriations. We are talking about fiscal year 2003 now, 2003 bills.

Have you looked into the question of the adequacy of the pay, we used to call it combat pay, you call it imminent danger pay, or family separation allowance? Has that been looked at yet by the Navy?

Admiral CLARK. Mr. Chairman, that has not come before me and I have not looked at that issue, no.

Senator STEVENS. I did some rough calculations and the increase in 1991 was a 36 percent increase, which was made permanent. As I said, it was raised from \$110 to \$150. We are in the position of having to go out to offer an amendment right now, and I wonder, when you say you have not studied it, have you studied it at all, Mr. Secretary?

Secretary JOHNSON. No, sir.

Senator STEVENS. Have you, sir?

General HAGEE. Nor have we, sir.

Senator STEVENS. I worry about the amount that has been proposed, a \$400. We are prepared to go to about a 50 percent increase in each of those allowances, but to go to \$400 is going to cost an enormous amount of money from the money that we have made

available so far, and this is the last bill I believe we are going to have for Defense for fiscal year 2003, so it will be a matter of substantial problems to fund much more than a 50 percent increase. That would take the funds up from \$150 to \$225, and the separation from \$100 to \$150, but you still would have to absorb those increases.

I would appreciate it if you would put some comments in the record with regard to those figures.

[The information follows:]

The Congressionally proposed rate increase will entitle military personnel receiving Imminent Danger Pay (IDP), an additional \$75 per month retroactive to October 1, 2002, raising the statutory entitlement from \$150 per month to \$225 per month, and entitle military personnel receiving Family Separation Allowance (FSA), an additional \$150 per month retroactive to October 1, 2002, raising the statutory entitlement from \$100 per month to \$250 per month. The increased rate is projected to cost Navy an additional \$131.6 million (\$48.9 million for IDP and \$82.7 million for FSA) and the Marine Corps \$141.2 million (\$67.8 million for IDP and \$73.4 million for FSA) in fiscal year 2003. Funding is required to support the rate change for both this fiscal year and future years if the increased rate for the entitlement extends beyond October 1, 2003.

Senator STEVENS. The matter will be decided at least in the Senate before we get the replies. I do not know if my colleagues have looked into that. I am worried about the allowance because I do not foresee a substantial increase, but yet I do believe that because of changes in the level of pay between 1991 and now, that an increase in the imminent danger pay, and I think my colleagues will remember I raised that with, but we asked for a study by the Department here about what, 3 weeks ago.

Gentlemen, I have to leave. Thank you very much. Senator Inouye.

Senator INOUE. My only comment, Mr. Chairman, is I doubt if anyone here would want to give anything less to our men and women in combat. For those in combat, \$400 does not suffice, but the question before us will be if that means that we may have to forego procurement of munitions, procurement of ships, what choice do we take? Because there is a limit to what this Government can raise from our taxpayers. As one who has had a little experience in combat, every little dime is welcomed, no question about that, but if it means giving up ammunition, giving up weapons systems, we will have to give it a hard look.

Secretary JOHNSON. You captured it very well, sir, and we would like to give more money to our combat people but protecting them with good equipment is equally or more important now.

DEPLOYMENT DAYS

Senator INOUE [presiding]. Admiral, may I ask you a question, sir? How many days per year has the average sailor spent deployed away from home since 9/11?

Admiral CLARK. Senator, I do not have a specific answer for you, but I can certainly put it in perspective. The average sailor has spent more time away from home and underway since 9/11 than he did before. I do not have specifics. I have a policy in my Navy that we try to limit deployments to 6 months and then guarantee a two-to-one turnaround when they are home. I will tell you that I have violated that policy and when my people have asked me about it,

I told them I will do the very best I can to hold to that, and that is a peacetime construct.

But then I told them this: If them staying longer on deployment would make one difference in winning the global war on terrorism, that I would not blink twice about having them stay. And in the context of this current operation, I have several units that are over the 6-month period.

NAVY RETENTION

Senator INOUE. I was well aware, as you pointed out, that you spent less time deployed before 9/11 than since 9/11. I asked that question because I am amazed that with those numbers, your retention level has gone up.

Admiral CLARK. If I can, I believe it is a tribute to the people and to the challenges we have given them, and it says a lot about America's young people. And what we have tried to do, Senator, is say this: The young men and women—and by the way, 2 days ago I just reduced my retention goal for this year for the second time, I cut 3,000 more out of the retention objective, and the reason is because more and more people are staying in.

What we have said to them is that we are going to do our best, we are going to commit ourselves. They promised to support and defend the Constitution of the United States against all enemies, foreign and domestic, and to obey the orders of the President and all the people in the chain of command. And I have challenged our leaders to, you know, what do we promise them in return? What we are promising them is a chance to make a difference, and I promised them that I am going to come up here and sit in front of this committee and talk to them about the things that our men and women need so that they have the right tools so they can get the job done.

And Senator, you have been out there, you have seen them. They are fired up. They believe in what we are doing. They believe that we are engaged in a just cause, and it shows in their face and it shows in the work they are doing on station.

RETIRING SHIPS AND AIRCRAFT

Senator INOUE. Your plans for this budget request call for the retirement of 16 ships and I believe about 260 aircraft. In light of the mission that you have at this moment, can this be carried out?

Admiral CLARK. Senator, I believe it is the right plan and let me describe it this way. The proposal to retire ships early, principally the ships of the 963 class, that recommendation from me to the Secretary and from him to the Secretary of Defense (SecDef), is built upon the belief that we need to retire those platforms that no longer bring the kind of combat capability to the point that we can retire those and we can accept the risk in retiring them.

And this strategy retires old airplanes as fast as we possibly can. Yesterday, we lost an F-14 over southern Iraq. That is one of the classes of airplanes that I am recommending that we retire as rapidly as possible. It just turns out that the aircraft that went down was the oldest one in the wing, and one of our oldest airplanes. It is one of the most expensive airplanes to operate and maintain, because of its age.

And I have talked to this committee before about the high age of our air force, and the only way out of this dilemma is to rapidly procure new aircraft, and the F-18E and F, which will take the place of the F-14, is currently on its first deployment and it is part of Operation IRAQI FREEDOM and is performing brilliantly. So, Senator, those recommendations, those are hard choices. They were choices that I recommended because I believe that we should divert those resources to recapitalize and transform our Navy for the future, and I believe that this is the time to do it and I believe that the operational risk is acceptable.

MARINE CORPS RETENTION

Senator INOUE. General Hagee, the Marine Corps has traditionally surpassed any other service in recruiting goals. Since 9/11, have the trends kept up?

General HAGEE. Yes, sir, they have. In fact, for this fiscal year, about the middle of the second quarter we were at 85 percent of our retention goal for the entire year. In November of this year, we will reach the hundredth month of having met mission on the enlisted side. On the officer side, our retention goals have never been better over the last 12 years.

Senator INOUE. It seems like your retention goals are better than the Naval Academy. Am I wrong on that?

General HAGEE. I would have to check the numbers, Senator. I am not sure.

NAVY RESERVE

Senator INOUE. Admiral Clark, according to the statistics that we have received, compared to the Army, Air Force and Marine Corps, the Navy has called a substantially low proportion of its Ready Reservists to active duty. Can you tell us why?

Admiral CLARK. Yes, I can. We currently have about 10,500, the number changes every day and is growing, and we have authorized in the neighborhood of 12,000 and some of them are in the process, but it is fundamentally because we do not have to have Reserves to conduct the kind of operations, with the force structure that we have to call forward, we do not need more than we have called up.

We have been very careful with the number that we have called up because we wanted to make sure that we have got jobs with real requirements and real job content for the people that we have called up. And I will tell you, Senator, that a large number of those that we have called up have been for force protection. But on the ships and in the squadrons and in the submarines themselves, we do not require the Reserves for us to conduct these combat operations. So it is the way our forces are shaped.

I will tell you also that after 9/11, we saw areas where we had force structure, an example would be harbor security kinds of capabilities, that existed only in the Reserve structure. And it became clear to us that we were going to have to recreate some of that in the active force. And so in the last 2 years we have been adding active duty people in the force protection area and in some of these areas that I addressed like harbor security and so forth, so we would not have to rely solely and completely on recalled Reservists.

FLEET SIZE

Senator INOUE. Admiral, the Administration speaks of a 310 ship fleet and the Department of the Navy 375. What number should this committee follow?

Admiral CLARK. Well, obviously the Secretary of Defense when they speak to it, and the Quadrennial Defense Review had numbers in it that identified the program for the current force. They have, and the Secretary of Defense has commented on this in congressional testimony, and when the question was asked about Admiral Vern Clark talking about the number 375, he has given me the leeway to talk about what I believe a longer range projection is for the right number of ships in the Navy.

In the context of our current program and our current—the program that we have today, that number is in the low 300s, but the proposal that I have before you now takes us down under 300. It is not the objective that we want and that we believe that we need. So, I have used the number about 375. I do not believe numbers alone are the right answer. For example, I could give you a program that would give you 375 ships that were not the right kind of capability. Capability is more important to me than the numbers per se, but the Secretary has given me the authority to talk about a vision for the future and where I believe it needs to go.

And so I believe when you look at the kinds of missions that are going to come to us in the future, you look at the addition of the Littoral combatant ship, the capability that we are going to have to add to dominate the near land areas, when you look at the addition of things like missile defense and sea based missile defense, I believe those numbers are going to grow. I cannot tell you exactly what the number is this morning, Senator, but I believe that the 375 target is about correct.

HARRIER

Senator INOUE. Let me now go to the Marines. Does the Marine Corps intend to use the Harrier in operations in Iraq? I say this because according to articles we have read, that aircraft has been plagued with problems.

General HAGEE. Sir, the Harrier is in Iraq right now. We have a number of them flying, almost every night. Their availability is about 75 percent, which is extremely good. We have a squadron flying out of Baghram, Afghanistan. They are flying every night. Their availability is over 90 percent, and they are flying at night and being maintained during the day. We are very happy with the performance of the Harrier to date.

Senator INOUE. Thank you. Senator Cochran.

SHIPBUILDING

Senator COCHRAN. Admiral Clark, I was interested in your comments in response to Senator Inouye's question about the shipbuilding rate and the number of ships that are projected to be needed by the Navy over the next several years. Our challenge is to put a number in the appropriations bill for this next fiscal year that meets our near-term needs and what can be foreseen just for next year or the next. So I wonder if you have in mind a suggestion

to the committee about how we can most effectively use funding for shipbuilding in the near term.

Admiral CLARK. Well, the program recommendation is the recommendation for what we can do in the near term, Senator, and I would say this. I have testified before this committee now, this is my third year, talking about my belief that we need to take every measure that we can to level fund the major acquisition accounts. I believe that is a two-way street. I think we have to do our part, and one of the reasons I am so pleased about this submission is that it commits a significant addition in the major investment accounts over last year.

We have worked hard to find resources to commit to the shipbuilding and aircraft acquisition accounts. You know, last year's submission had five ships; for this year, this has seven. It is capability, not just numbers, but as you look at the projection, we have diverted \$39 billion in this multiyear program and we have put that toward shipbuilding. I believe, and there have been studies, Congressional Budget Office (CBO) did a study that talked about the total amount of investment that needed to be made long-term to support future modernization and transformation requirements, and I have testified that I believe that we need to be planning on a level fund of \$12 billion a year in new construction, so that we get the best kind of balance. That would be the best balance that we could put forward.

And we have done studies, for example, with the war games actually, with the shipbuilding industry that said if we could get to a level funding approach, we actually would produce more product, we would be a better partner and we would produce more product for each dollar that the taxpayer puts into shipbuilding. So, I would say that that means then that multiyear stands us in high, because they fit that mold, multiyears are good.

If you look at what has gone in Amphibious Assault Ship (LHD)-A, an incremental approach to funding that has allowed use to proceed with construction without having the spike of it in 1 year. The split funding approach that is in this budget for the carrier in fiscal year 2007 and fiscal year 2008 is I believe the right way to do these kinds of things.

Senator COCHRAN. We appreciate your leadership in helping figure out how we can most efficiently use scarce funds that are available to us and meet the needs that we have to continue to keep forces deployed in areas that are so important to our national security.

In that connection, General Hagee, I know you have some 30 ships deployed to the operation theater, I think 32 are forward deployed in support of current operations, I hope that is not classified. But with so many of our Marines and amphibious ships forward deployed, I have to ask the question, do we have enough Amphibious Transport Dock (LPDs) and LHDs to meet future requirements?

General HAGEE. I believe the ones we have on the books right now will meet our future requirement. I can tell you we need the LPD-17, we need all 12 of them, and we need them as soon as we can based upon the resources that we have.

Senator COCHRAN. I notice the LPD-17, which Admiral Clark mentioned we are going to see launched here in a couple of months at the Avondale Shipyard on the Gulf Coast, what are your thoughts about the LPD-17 program profile? I notice you have funds requested for fiscal year 2004, but no LPD is in the fiscal year 2005 plan. Should we do something about that?

Admiral CLARK. Well, we put forward a recommendation again. When you do this whole program, you put together the program in the best balance that we knew how to put it together, Senator. And so we had a number of ships under construction, and so we left fiscal year 2005 that way, with then a couple in fiscal year 2006, and the whole idea was that we had ships under construction when we thought—you know, it is enough, and we would look at it again in fiscal year 2005 to see—you know, one of our responsibilities, and John Young as the acquisition official who works the industrial base balance questions all the time. So the way we put it together for the fiscal year 2004 submit was the best way we knew how to balance the total resources that we had, and that is what we recommended.

I do know that there have been unsolicited proposals that have been submitted to Secretary Young looking at potential ways to work through that void in fiscal year 2005. I do not know the specifics and details of that recommendation and frankly, that is not in my area of authority or responsibility. Secretary Young will deal with that kind of unsolicited proposal.

But I have been, I believe rock solid in my testimony on this. Last year when people asked me, I said my first priority is to get the LPD line healthy and producing, and I am extremely pleased with where we stand now. You know, we introduced this ship and we had this computer aided design approach, it was new, we experienced the kind of things that one experiences when they are going through new first time ever kind of developments. We are at a stage now where we are reaping the benefits of that computer aided design, in the acquisition process.

So the program is healthy. General Hagee said it right, we believe that this ship is a tremendously capable ship, and provides the kind of lift that the Marine Corps needs. And it is at, from where I sit, it is going to be a key part of the Marine Corps structure in expeditionary strike groups which we talk about in our written testimony, our vision for the way this force is going to operate and function in the future, LPD-17 is going to be a key part of it.

HOMEPORTING

Senator COCHRAN. One of the other concerns I have is the Navy's plan for the future of the use of home ports around the country. Back in the 1980s a decision was made to distribute ships among several or numerous home ports around the United States, and then there came along something called a fleet concentration area plan which was based on trying to achieve maintenance and supply efficiencies.

One thing that concerns me, if we get too carried away about concentration and putting all our ships in one place or just a few places, in the face of the terrorist threats, does this make us more

vulnerable to a cataclysmic event that would look like Pearl Harbor, or would we be wiser to think through that again and think about distribution for safety's sake? Is anybody thinking about that? Mr. Secretary, maybe that is a question that is a good one for you.

Secretary JOHNSON. We always think about that, sir. We have to make the trade-off of the cost involved of protecting the ships no matter where they are and also the maintenance associated. As we look at the great armada that we have at sea now, when we bring them back we will have to maintain them, and that will be a great expense. There is a trade-off between dispersion and protection, and we look at that continuously, sir.

PATROL COASTAL CRAFT

Senator COCHRAN. One of the programs that you mentioned, Admiral Clark was the Littoral combat ship program. This is an exciting new program, and I am told that in fiscal year 2005 the Navy is considering transferring five of its patrol coastal craft to the Coast Guard and decommissioning the remaining eight patrol craft. I wonder, before we get too far along on that plan, whether consideration can be given to transferring the remaining patrol craft to the Navy Reserve. I was told that they would like to have those under their responsibility with a mission that may very well make good sense. Have you had an opportunity to look at that and has a final decision been made?

Admiral CLARK. We have had discussions, Senator, and in fact we have had discussions with the Coast Guard. I do not know if it is widely known or not, but on 9/11 the second call I made was to the Commandant of the Coast Guard, and we talked about a memorandum of understanding between the two of us that we had just signed. And we have had one for a number of years but we had renewed it, sharpened it on points that we needed to, and that memorandum is about going to war and that in wartime the Coast Guard would become an operating support of the Navy.

And I told him that day, I said obviously this one is different, so tell me what you need. And then in the ensuing weeks, I transferred all 13 of them to him, and we have been operating. There have been discussions about potential distribution, because indications are that the Coast Guard will not need all 13 on a full-time basis. There have not been decisions made, so for me to make a comment about potential distribution would be premature, and that will have to be submitted up the chain of command for a decision and approval.

MISSILE DEFENSE

Senator COCHRAN. You mentioned missile defense capabilities and the tracking of missiles by the Navy ships, and the support you are giving to the operations in the Persian Gulf area. I understand you do have plans to upgrade several Arleigh Burke class destroyers with significant missile defense capability. Can you give us some idea of that program?

Admiral CLARK. Absolutely. Thank you for asking the question. The President announced last year that we would develop an interim sea based capability in fiscal year 2004. And in my guidance

to the Navy for this year, I laid out the direction for us to develop the path to achieve that objective. The last 12 or 13 months has been an extraordinarily successful period for the Navy and the missile defense program. We have had six tests, 100 percent success in all six of them, three tracking events and three firing events.

And so, the Missile Defence Agency runs this program. The Missile Defense Agency was thinking about and proposing to build a test ship, and in cooperation with key players in the Office of the Secretary of the Navy, and I am talking specifically about John Young, the Secretary and myself, and key members of our team, we made the decision to offer an existing ship to speed up this process.

And we are going to commit the U.S.S. *Lake Erie* to the full-time testing that operates in Hawaii full time to rapidly develop this capability. It is our belief that this is the right thing to do for the country.

The capability that we have demonstrated in the last year, we have taken that and we are still in research and development, but we have taken that tracking capability and we have been using it in the theater of operations and it has been very successful.

Senator COCHRAN. Thank you. Mr. Chairman, I have a couple more questions but I did not want to encroach on anyone else's time.

UAV PROGRAM

I know in these unmanned vehicles such as Global Hawk, Fire Scout, and others that are under development, the Navy is investing substantially in this technology. General Jumper last week referred to the Global Hawk when we had the Air Force before our subcommittee as a very effective low level satellite in terms of capability. What are the plans of the Navy specifically in using this technology in the future?

Secretary JOHNSON. First of all, Admiral Clark and General Jumper are working very, very closely in the unmanned air vehicle program. The Marine Corps has the Pioneer, which General Hagee can talk about, but we are moving forward on unmanned vehicles in all media, in the air obviously, underwater, and we are working very closely with the other services, most closely with the Air Force of course.

Admiral CLARK. Senator, this is one of the major changes between last year and this year in our submission. We are moving forward strongly in the UAV program. There is \$3.6 billion across the FYDP in the program, and as the Secretary said, General Jumper and I are working real closely together.

In February one of the S&T programs for the unmanned combat air vehicle, the first flight was conducted on February 23. We have put resources against the development of another vehicle, and Secretary Young is working in concert with the Air Force to accelerate this kind of capability. We are investing in two Global Hawks ourselves.

We are seeing now the vertical take-off UAV that has been in development, we are now seeing the potential utility in that vehicle for our new Littoral Combat Ship (LCS), and so we see a lot of potential here. We are also very interested in developing long dwell surveillance capability that we believe will be best done in an un-

manned vehicle because of the ability to persist long on station times without the wear and tear on people, and that kind of long duration capability, crucial for us to dominate the battle space in the maritime domain.

So this budget has significant additions for the Navy and we are moving out as rapidly as we know how to move out in this area that we believe is going to greatly improve our warfighting effort.

LIGHTWEIGHT 155 HOWITZER PROGRAM

Senator COCHRAN. My last question which I am going to submit, and then I will have a question or two to submit for the record, is to General Hagee. I notice the budget request includes funding for 60 lightweight 155 howitzers. Could you provide us an assessment of that how this program is progressing.

General HAGEE. Yes, sir, I can. The program is actually progressing very well. We are in the operational test phase of the program. We are quite excited about it. It is going to provide us the ability to lift heavy artillery with the Osprey.

The digital fire control is somewhat behind in its development, but we are going to purchase that when it is available. We project that will be available probably one to 2 years after we actually start receiving the lightweight 155, but all the mounts will be on the artillery piece and as soon as it is available, we will purchase it.

Senator COCHRAN. Thank you.

Senator INOUE. Thank you very much. Senator Durbin.

Senator DURBIN. Thank you very much, Senator. I appreciate you being here today, and thank you all for what you are doing to serve our country. I have a family affection for the Navy as I had two brothers who served during the Korean War, and I have a political and personal connection to the Marine Corps by virtue of the fact that the first man I ever worked for on Capitol Hill was a Senator from Illinois named Paul Douglas, who in 1942 enlisted in the Marine Corps and went through basic training in Parris Island at the age of 50. And that is still amazing as I reflect on what he did in the service. He served in combat in the South Pacific and suffered a serious wound, but went on to a great public career. I thank you all for being here today.

FAMILY SEPARATION ALLOWANCE AND IMMINENT DANGER PAY

One of the things that I would like to reflect on was brought to my attention by Senator Inouye on the floor of the Senate, who rose one day to make a point that I think we should all keep in mind. And that is in World War II, maybe you will remember the exact percentage, Senator, but you told us that I believe over 80 percent of the people in uniform in that war were single, not married, and I believe today that statistic has changed dramatically, that the majority of those in service to our country are married with families. Could you tell us for the record if you know, in each of your branches, what percentage of your personnel are married today?

General HAGEE. Yes, sir, I can. As you know, the Marine Corps is a relatively young force, but even though we are a young force, 44 percent of our personnel are married today.

Senator DURBIN. Admiral.

Admiral CLARK. Senator, I do not have the number, I will provide it for the record, but what we are fond of saying is that we know that we recruit individuals and we retain families, and the major focus of our retention effort is to make sure we are touching families and dealing with their needs. So there is no question about that the numbers have changed dramatically over time.

[The information follows:]

Fifty-three percent of Navy Enlisted personnel and 76 percent of Navy Officer personnel are married.

Secretary JOHNSON. That is particularly true at this time, sir. I was up at Bethesda yesterday and the families were there. We care about the families at home very much. Our sailors and Marines forward are not as concerned about their own safety as they are that their families are well cared for, and everybody goes out of their way to take care of the families.

Senator DURBIN. The estimates I have read, Mr. Secretary, suggest that about 60 percent of the servicemen now in the war zone in Iraq have families back home, servicemen and women have families back home. And that is the reason why I wanted to speak for a moment and ask your thoughts about an issue. When I meet with these families, as I recently did at the Rock Island Arsenal back in my home State, I find of course they are extremely proud of the member of the family that is serving, they are encouraging it, praying for them, as we are all very proud of them.

But they are also facing some unusual hardships that may not have been the case even a few years ago, hardships involving childcare, involving medical expense, additional expenses related to the separation. And I was surprised to read and learn that the current family separation allowance is \$100 a month, and that the imminent danger pay, the combat pay is \$150 a month. I think that perhaps those, particularly the family separation allowance, was a figure that was established at a time when fewer servicemen and women came to serve our country with a family or had a family, and may not reflect the reality of the cost of service to those families.

One of the amendments which I hope to offer to the supplemental to the Appropriations Bill will attempt to increase both the imminent danger pay as well as the family separation allowance, and I am working with Senator Inouye and others to try to find if there is a way to do this in a bipartisan fashion. Could you either, General Hagee or Admiral Clark, or the Secretary, reflect on the concerns that you hear expressed by the families of those who have been activated to serve, beyond the obvious, that they want their loved ones home as quickly and as safely as possible. General?

Secretary JOHNSON. Can I say something first?

Senator DURBIN. Of course.

Secretary JOHNSON. You make a very interesting observation. The current environment with family members is much different now. We have women who are quite involved in almost every aspect of our business, not necessarily as a rifle person. And we have a bigger problem of oftentimes a husband and wife being in the military. And it looks really bad when we send both of them off to

war, but yet, that is what they trained and desire to do, and when we have to execute it, it looks like we do not care. We care very much and we try very hard to take care, and particularly where they have children, they have to have well laid out plans to care for them.

Senator DURBIN. General?

General HAGEE. Obviously the most important things for the families is that their Marine or sailor is well-trained and well-armed and well-prepared so that they will come back. That is obvious. And as Senator Inouye was really quite articulate on this, on how we balance how much money we are able to pay them, as compared to how much money we put into procurement and insuring that they are properly trained and armed is something that we have to work with the committee on. So the number one thing is they want them to come back.

I think we have to look at this from a holistic standpoint. If I could give you one example, the impact of family separation allowance and hazardous duty pay that has occurred to a Marine family out in California, and I strongly support family separation allowance and hazardous duty pay, I am not sure that we pay them enough for that, and I am not sure that we can pay them enough for that, but we come back to the balance again. But this particular Marine had a child that needed special care and was getting that from the State of California, and the State of California was providing about \$80,000 a year in care for this child, and that was based on the income of this particular Marine. When he was deployed to the Gulf, he received family separation allowance and he received hazardous duty pay. That put him above the line, and California by law was ready to take that funding away from him.

We are working that issue, I think that we can solve that issue, but that is why I say we have to look at this from a holistic standpoint, sir.

Senator DURBIN. But what concerns do you hear expressed by the families, aside from that very extraordinary one case? Do you hear any particular concerns of the families of your Marines that are left behind in terms of their economic situation?

General HAGEE. There are concerns. I have been a Marine for 35 years, I have deployed quite often. I know firsthand what happens when an individual Marine leaves their family. The costs actually go up, they do not go down. As the Secretary mentioned, that is especially true today when we have male Marines, female Marines, sometimes they are married, sometimes they are not. They may have children. They have particular challenges and I have heard those concerns from the families, yes, sir.

Senator DURBIN. Admiral Clark?

Admiral CLARK. I recall vividly being an ensign in the Navy and being off on my first deployment, and family separation was a dollar a day. Like any kind of pay like that, it has to have—you must periodically review to see if it is at the right level. I am not hearing about family separation pay.

The one issue I am hearing raised is the issue of the tax exclusion, which is, to most of our people is a significant financial issue and so that when they are in a combat zone and war, it makes a difference. And the issue of it being addressed from my folks is that

I have a large force in the Eastern Mediterranean and they are not in it.

I will tell you that we have a large family support structure that is a formal part of our Navy life whether we are at war or not, and it runs on the back of volunteers and people who are determined to be involved, and they make it work.

Senator DURBIN. I am not going to dwell any further on this other than to say to you, Admiral, that we are particularly proud to have your training facility at Great Lakes in my State, and I have visited there and seen the wonderful work that is being done there, and we want to continue to help you in any way we can to train the sailors to serve our Nation.

Admiral CLARK. Thank you very much for your support, and Great Lakes is doing superbly.

Senator DURBIN. Thank you very much. Thank you, Senator Inouye.

Senator INOUE. Senator Domenici.

Senator DOMENICI. Thank you very much, Mr. Chairman. I am sorry I was late, I had to be somewhere else, but I hurried.

First, I want to take just a minute to do what I hope to do every time I have the military before me in the future. I am convinced that the story of this war is going to be told for a long time and it is going to be what kind of men and women are these Americans. It is absolutely fantastic for Americans and the world to see the behavior of these young men and women. That is the story. They are warriors but they are gentlemen. They are warriors but they are considerate, they are articulate. What kind of training they get and what kind of esprit de corps and spirit they have is beyond what I could have expected from any group of Americans or any group of humans, so we are doing something very right.

We have had books written about other generations of American warriors and I have read them. Now I am seeing these, and I do not think the past books about American valor or American military men or women, I do not think what we are seeing, I think it far exceeds anything written about previous generations of American fighters. It will be the story, what kind of men and women are there and how did we happen to bring them up that way. Concerning what goes on in American streets and American neighborhoods and American families in terms of the difficulties we have, it is truly something kind of miraculous that is happening with reference to the transition that the training and bringing of them together has brought.

NAVY PROGRAMS IN NEW MEXICO

So I say that for openers, and then I just have a couple local issues. Believe it or not, even in the State of New Mexico where things are very dry, the Navy has a program going for water desalinization, and I just wanted to commend you for the work being done on it. It is being done on a very large inland aquifer in New Mexico, it is \$6 or \$7 million, I believe being spent, and I want to commend you for bringing the technology together, I think better than anyone else has brought it together. We may see some breakthroughs as a result, and we want to thank you for that and wish

that program success not only for the Navy but for the United States.

Secondly, there is a most incredible observatory that the Navy is building in the State of New Mexico also, it is called the Magdalena Ridge Observatory. It is a new kind of observatory on top of a very beautiful mountain, and when it is finished, this new approach to observing outer space is going to magnify what we can see by many fold. It will not look like a telescope and those things related to it, it is something completely different. So as one who is a primary supporter of this new approach, this program which is going to create a new method for observing outer space, is also something the Navy can be very proud of, and I want to commend you and thank you for the work that is being done on that.

Are you aware of that, Mr. Secretary?

Secretary JOHNSON. Yes, sir. We expect to have the groundbreaking on the 20th of October of this year.

And the first one you talked about, we know more and more, anyplace we go, we have to take care of the water. Just drilling and drinking and using the water around the world does not work and in our business, a lot of it is on the seacoast, and of course we have the reverse osmosis plants to take care of the fresh water, but seawater is quite different.

Senator DOMENICI. I will tell you that the only significant breakthrough on clean water is also in New Mexico technology, you all are using it in the Marines. Have you seen any Marines carrying around a water purification device that looks like a fountain pen, General?

General HAGEE. No, sir, I have not.

Senator DOMENICI. They are practicing with it now. It is the size of a thick fountain pen and literally, you can take a glass of muddy water with whatever bugs, bacteria are in it, and you can purify it if you do not mind drinking muddy water, and you can drink it, and it is absolutely pure.

Secretary JOHNSON. It probably tastes better at night.

Senator DOMENICI. That is an invention that came out of one of the laboratories and actually it is quite the thing. And I would assume the next conflict, if there is one, everybody will be using those, but only a few thousand are using them now. It is an interesting invention.

I also have one other item that I want to comment on with reference to technology. The Navy has a high energy laser-testing program in New Mexico, it is called High Energy Laser (HEL). The Army has a program there that is not moving as rapidly, but I want to express my interest in the testing that is going on there, which has been putting pressure on the Army to move ahead a little more quickly. That is to defend against anti-ship cruise missiles. It is the first study that will prove the feasibility of killing a missile head on with reference to something like the cruise missile coming in our direction. And again, that is moving ahead with great dispatch and right on target, and I wanted to comment on it and thank you for that effort.

Secretary JOHNSON. And we understand it takes a different approach than some of the airborne lasers and others, it is a new type of laser, and we are very excited, as you are aware.

Senator DOMENICI. That is correct. I will put something into the record that goes into one of those in a little more detail. I thank you, Mr. Chairman, and again, I apologize for keeping the committee. Thank you all.

JOINT STRIKE FIGHTER (JSF)

Senator INOUE. My last question is to the Commandant. The Joint Strike Fighter will be the future Marine Corps fixed wing strike fighter. I gather it will replace the Harrier and the current F-18C and D, and you have no plans to purchase the F-18E and F. What is the status of the JSF now?

General HAGEE. Sir, you are absolutely correct on what our plans are. The Joint Strike Fighter will replace both the F-18C and D that we have, and the Harriers, and we are going to wait and not purchase the E and F, we are going to wait for the Joint Strike Fighter, which is currently in the system development phase.

My reports are that it is going relatively well. There is some recent concern about weight growth, we expect that during this phase about a 6 to 8 percent weight growth, both for the Short Take-Off and Landing (STOL) version and the carrier (CV) version; it is above that right now. We are talking with the contractor, sharing our concern with them about that weight growth.

Senator INOUE. I suppose you have concerns over the Navy's F-18 and the Air Force F-22, do you not?

General HAGEE. No, sir, we do not. I think the Navy has made the absolute right decision to go to the E and F during this interim period. Admiral Clark has already talked about legacy systems and how he wants to move legacy systems out. We believe, firmly believe that during this intervening period that the Cs and Ds and the Harriers will stand us in good stead.

I have to say, we look forward to having the Joint Strike Fighter, especially as we move into tac air integration, and the efficiencies that that is going to provide us where we have one common air frame, common pilot training, common mechanic training, it is going to provide us great efficiencies. At the same time, it is going to significantly increase the operational effectiveness.

Admiral Clark has talked about this significant range increase that we will get with the Joint Strike Fighter, which means we need less gas and less tankers.

Secretary JOHNSON. In our current environment we find that most often the critical element is fuel, refueling, and these aircraft will give us much longer range, and Admiral Clark has some wonderful examples.

Admiral CLARK. If I might comment on this, Senator, I would like to talk about, I think it is important for all of us to keep learning. I tell all of my leaders that we all have to keep learning and I am continuing to learn, and my biggest lesson learned from Afghanistan in these current operations is the importance of combat range. We have told you the stories about our pilots flying from a carrier to Afghanistan, some of those missions 700, 800, 900 miles in range, and 7 or 8 hours in the cockpit. Several times going to the tanker.

We have an E and F that, they are on their maiden deployment right now on the U.S.S. *Abe Lincoln*. The U.S.S. *Nimitz* will come

into the theater in the next few days, I will not talk about specific time on it, but the E and F is doing so well, we springboarded some of the airplanes forward while the U.S.S. *Nimitz* was en route, and the U.S.S. *Nimitz* E and Fs are in theater flying off of the U.S.S. *Lincoln* right now.

The reason it is important is that it has 40 to 50 percent more combat range, and so they can get to the target without tanking. It is also important because this airplane can go with Cs, and Ds for that matter, and it has such a much bigger payload, and we can load it up with fuel and the E and F can fuel three or four other airplanes and get them to the target area, without going to the big airplane for fuel.

As good as that is, the JSF is going to be even better. The projection is that it will fly 800 miles unrefueled out and back to the target area. That kind of capability, we would not—the whole investment in the tanking structure will be totally different for Navy air.

So we are very pleased with what is going on in the E and F. I am in an enviable position. I have got an effective program that is performing, is delivering on time and performing very well in the battle space. JSF is still going to bring us important things that I very much want, an improved, designed in from the beginning, improved reliability. It will in fact change—and this is why when the Commandant and I put together the Navy-Marine Corps tac air integration program, it was based upon these new factors that allow us not to have to replace airplanes on a one-for-one basis. And so, this kind of delivery of this capability is important, and this budget we have invested significantly in JSF.

Senator INOUE. Senator Cochran?

Senator COCHRAN. I have no further questions.

ADDITIONAL COMMITTEE QUESTIONS

Senator INOUE. If not, Mr. Secretary, Admiral Clark, General Hagee, thank you very much. Your full statements will be made part of the record.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED TO HANSFORD T. JOHNSON

QUESTIONS SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

NAVAL FORCES—SOUTHERN COMMAND

Question. Do you have plans to relocate the headquarters of Southern Command's Navy Forces from Puerto Rico?

Answer. In August 2001 the Secretary of Defense directed all Combatant Commanders to review overseas basing requirements and to examine opportunities for joint use of facilities and land by the Services, consolidate infrastructure, and enhance training. The study, which was recently completed, did not recommend any changes that were not already contemplated to either our overseas forces or basing structure. While the Department of Defense is continuing to examine its overseas basing and presence within the context of a global strategy, Commander, U.S. Naval Forces Southern Command is expected to remain at Naval Station Roosevelt Roads for the foreseeable future.

Question. What locations are you considering?

Answer. The relocation of Commander, U.S. Naval Forces Southern Command is not under consideration at this time.

JOINT STRIKE FIGHTER (F-35) PROGRAM PROGRESS

Question. Highlight the progress the Joint Strike Fighter is making.

Answer. The Joint Strike Fighter (JSF) Program continues moving forward in the early design stages of the program. It is 16 months into a 126-month Systems Development and Demonstration (SDD) phase. Design milestones the program passed early this year include numerous sub-system Preliminary Design Reviews (PDRs) encompassing Mission Systems and Air Vehicle Systems that lead up to the Air System PDR in March. The March 2003 PDR has not been completed due to weight concerns with JSF, particularly in the Short Takeoff and Vertical Landing (STOVL) variant. A Blue Ribbon Action Team has been convened to review mitigation measures and a final report is due in June 2003.

The Pratt and Whitney F135 engine will complete its Critical Design Review in May 2003 leading to the F135 First Engine to Test currently planned for September 2003. First flight of the Conventional Takeoff and Landing (CTOL) variant of the F-35 is currently planned for the 4th Quarter calendar year 2005. First flight for the STOVL aircraft is scheduled for 2nd Quarter calendar year 2006 and the first flight of the Carrier (CV) JSF variant is scheduled for 1st Quarter calendar year 2007.

The F-35 is the Department's largest cooperative development program. In fiscal year 2002, the F-35 program successfully concluded SDD cooperative agreements with seven additional international partners: Canada, Denmark, the Netherlands, Norway, Italy, Turkey, and Australia. Including the United Kingdom, this brings the total number of international partners to eight.

V-22

Question. Provide a detailed update on the progress the V-22 program is making.

Answer. The V-22 program is currently mandated to continue production at the minimum sustaining rate until the Secretary of Defense certifies this aircraft meets the requirements outlined in Section 123 of the fiscal year 2002 National Defense Authorization Act. The program continues to ensure a methodical and event driven test flight program to validate all engineering and software changes. Program reviews have been comprehensive; the organizational, technical and programmatic issues are well addressed. The plan represents a rational "event driven" approach to flight testing.

The V-22 has flown over 400 flight hours (as of May 2003) since return to flight May 29, 2002 and has accomplished the following:

- Three Engineering and Manufacturing Development (EMD) aircraft have returned to flight.
- Three Low Rate Initial Production aircraft have been modified and delivered early or on time.
- CV-22 EMD Aircraft 9 has accomplished 40 percent more test points than planned in the Benefield Anechoic Chamber (BAF) at Edwards AFB CA, resulting in a significant flight test savings.
- EMD CV-22, Aircraft 7 is progressing well thru multi-mode terrain following radar testing to include flat rolling and isolated peak at over 200 kts.
- Simultaneous deployments to U.S.S. *IWO JIMA* (shipboard suitability) and Fort Bragg, NC (parachute loads testing).

Since return to flight the V-22 program has had no hydraulic failures or software anomalies attributed to earlier mishaps.

MINE WARFARE FUNDING AND CAPABILITY

Question. What funding is there in the 2004 request for mine warfare and what will it enable you to do?

Answer. The Department of Navy (DON) budget request for fiscal year 2004 is \$734 million. The DON commitment to maintain readiness of the dedicated Mine Countermeasure (MCM) Force is balanced with the requirements to fund transformational capabilities, to include: the development of seven organic MCM systems to integrate into Battle Groups, replacing diver and mammal with unmanned systems, and the development of a modular MCM capability from the Littoral Combat Ship (LCS). The mine warfare ships, helicopters, and Explosive Ordnance Disposal (EOD) force demonstrated their readiness in Operation IRAQI FREEDOM, by clearing mines from Iraqi waterways and opening the port of Umm Qasr for humanitarian relief supplies. Highlights of the request include:

Organic Airborne MCM (OAMCM).—To meet the DON's goal of an organic mine warfare capability by fiscal year 2005, the fiscal year 2004 budget continues the development and integration of five OAMCM subsystems into the MH-60S platform.

The notional plan for consideration by companies planning proposals for the LCS Flight 0 design is that the OAMCM systems would be part of the mission modules on the LCS, giving the LCS great flexibility to support the Carrier and Expeditionary Strike Groups (CSG/ESG) in the MCM role.

ALMDS/AQS-20A.—In fiscal year 2005, the Navy will introduce the minehunting suite of OAMCM systems. The AN/AQS-20A Advanced Minehunting Sonar and Airborne Laser Mine Detection System (ALMDS) (AN/AES-1) are scheduled for Initial Operational Capability (IOC) in fiscal year 2005. The ALMDS will detect near surface and floating mines with a water-penetrating laser, while the AN/AQS-20A will detect, classify, and identify moored and bottom mines with a towed sonar/laser system. The DON is requesting \$17.2 million for the AN/AQS-20A to continue system developmental testing, and \$21.9 million to complete developmental testing and award two AN/AES-1 Low Rate Initial Production units.

RAMICS/AMNS.—In fiscal year 2007, the Navy will introduce the mine neutralization suite of OAMCM systems. The Rapid Airborne Mine Clearance System (RAMICS) (AN/AWS-2) is being developed to neutralize the near surface and floating mines found by ALMDS. The RAMICS uses a supercavitating 30 mm projectile to pierce the mine case, causing deflagration of the mine explosive, and flooding of the case. The DON is requesting \$31.2 million to complete critical design review and begin developmental testing of AN/AWS-2. The Airborne Mine Neutralization System (AMNS) is being developed to counter deeper moored mines and visible bottom mines and DON is requesting \$14.5 million to continue development through critical design reviews. The AMNS uses tethered, small expendable neutralization vehicles to approach the mine and destroy the mine with an explosive charge.

OASIS.—In fiscal year 2008, the Navy will introduce the Organic Airborne and Surface Influence Sweep (OASIS) system. The OASIS will generate magnetic and acoustic signals to satisfy the firing logic of influence mines, causing them to actuate. The DON is requesting \$14.8 million for completion of critical design review and commencement of development testing.

LMRS.—The fiscal year 2004 budget requests \$56.1 million funding to continue the development and acquisition of the Long-term Mine Reconnaissance System (LMRS), which is on track for an fiscal year 2005 IOC on the LOS ANGELES Class submarine and will be incorporated on the VIRGINIA Class as it delivers. The LMRS system features an untethered Unmanned Underwater Vehicle (UUV), launched and recovered covertly from the submarine's torpedo tubes. The LMRS will provide a clandestine reconnaissance capability for mine-like objects.

RMS.—The fiscal year 2004 budget includes \$55.5 million funding for the development and acquisition of the Remote Minehunting System (RMS), a surface ship-launched and recovered semi-submersible vehicle. The RMS gives surface ships the capability to conduct low-observable minehunting operations from over the horizon, maintaining control of the vehicle from a safe standoff distance. The RMS will reach IOC in fiscal year 2005, fielding on six new construction DDG Flight IIA ships (DDGs 91-96). The RMS also is a strong candidate for future deployment on the Littoral Combat Ship.

Very Shallow Water (VSW) MCM.—The capabilities of the Naval Special Clearance Team ONE were highlighted in port clearance operations in Umm Qasr. In addition to the superb performance of EOD forces and marine mammals, small UUVs played a vital role in identifying mine-like objects in very low visibility conditions. \$6.6 million is requested in the fiscal year 2004 DON budget to support small UUV programs to operate from surface MCM ships, in VSW MCM applications, and in force protection missions.

High Speed Vessel (HSV).—The fiscal year 2004 budget contains funding (\$17 million) for the charter of a High Speed Vessel (HSV 2 SWIFT) for fleet experimentation and concept development, focusing on MCM command and control issues and new technology demonstrations that may feed into development of the LCS program.

Littoral Combat Ship (LCS).—The LCS will become the focal point of DON efforts to transform Mine Warfare (MIW). Within the DON fiscal year 2004 request for LCS Mission Modules, \$18.4 million contributes to the development of the MIW Mission Modules. When equipped with the appropriate Mission Package, LCS will conduct mine warfare missions with on-board and off-board systems from deep water through the beach. The potential for modernization through its modular, multi-mission design will allow LCS to incorporate new unmanned vehicle technologies as they mature.

Dedicated MCM ships.—The surface MCM fleet faces several challenges in current readiness issues, which are addressed in this proposed budget. The DON has

requested \$8.4 million in fiscal year 2004 OPN funds for the initiative to improve the operational readiness of the surface MCM ships through replacement of low-reliability engines. \$1.8 million is requested in fiscal year 2004 to fund acoustic generators to replace antiquated acoustic sweep systems on the MCM-1 class ships. \$3.8 million is requested for sonar data recorders for the AN/SQQ-32 minehunting sonar to record sonar targets of interest.

T-45 COCKPIT 21

Question. I understand that the Cockpit 21 program for T-45A aircraft is unfunded in the fiscal year 2004 budget request. Does the Navy plan to fund this in 2005 or 2006? What is the impact of not funding the program?

Answer. The Navy remains committed to the T-45 program as an integral part of undergraduate flight training. Cockpit 21 addresses several avionics obsolescence issues in both the T-45A and the T-45C. If left uncorrected, degradation in aircraft "Ready For Training" will eventually affect the ability to maintain the required pilot training rate. The Navy will closely examine funding for Cockpit 21 as part of the fiscal year 2005 Budget development process, but must continue to balance this requirement against competing priorities.

QUESTIONS SUBMITTED TO ADMIRAL VERNON E. CLARK

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

HSV PLANS

Question. Admiral Clark, I understand the Navy has been impressed with the early feedback in operating a High Speed Vessel under a lease arrangement. Can you comment on the HSV hull form, and how it might fit into our shipbuilding planning?

Answer. Currently, there are three High Speed Vessel craft under lease agreement with the Department of the Navy. The lease for HSV X1, Joint Venture, originally contracted under a joint arrangement between the Army and the Navy in October 2001 has been extended through September 2003. HSV 2, Swift, a slightly larger version of Joint Venture, will deliver in late July 2003 and will incorporate additional military enhancements to its hull that support mine warfare experimentation. Additionally, the USMC has been conducting intra-theater lift missions with a third HSV, Westpac Express. All three vessels are wave piercing, aluminum hulled, commercial catamarans, based upon existing high-speed ferry designs.

The Navy is continuing its efforts to explore the concept of advanced high-speed hull forms and propulsion systems, evaluating new hull designs in monohulls, catamarans, trimarans and surface effect ships. Additionally, efforts are underway to combine the lessons learned from these vessels for application in the design of future classes of Navy ships.

The U.S. shipbuilding industry has limited experience in the design and construction of these categories of vessels with the necessary displacement and speed. U.S. shipbuilders are, however, working together with industry to explore the concepts and viability of these advanced hull forms and propulsion systems for Naval applicability.

LONG-TERM HSV PLANS

Question. Admiral Clark, it seems leasing these craft during the experimentation phase was appropriate. If the experiments have proven successful, we should explore procuring U.S.-made craft to meet the Services' needs. Can you explain the Department of the Navy's long-term plan to eliminate the need for leasing commercial High Speed Vessels?

Answer. The High Speed Vessel (HSV) project is a joint effort with the Navy, Marine Corps, Naval Special Warfare Command and Army. The goal for HSV(X1) is to explore the concepts and capabilities associated with commercial high-speed vessels with respect to advanced hull and propulsion technologies integrated with advanced communications technologies. HSV 2 will continue to build on these concepts and evaluate the utility of the craft, while supporting new doctrine associated with advancing Mine Warfare systems, including experimentation with the use of unmanned underwater and surface vehicles. Successful experimentation with Joint Venture has demonstrated the utility and potential suitability of high-speed vessels for military operations.

While experimentation to date with HSV(X)1 and Westpac Express has been promising, the Navy is still assessing the utility of this type platform to support Sea

Power 21. Should an operational requirement be developed for HSV to permanently support the Navy or USMC, the vessel(s) will be competitively procured from a U.S. shipyard.

LITTORAL COMBAT SHIP—HULL FORM

Question. Admiral Clark, I understand the Navy has not yet determined a hull form on which to base the Littoral Combat Ship (LCS). Given the variety of roles and missions anticipated for these ships, is it possible there may need to be more than one “final” hull form for LCS, perhaps a percentage would be catamarans and a percentage would be composite mono-hulls?

Answer. The current acquisition strategy envisions two Flight 0 ships to start construction in fiscal years 2005 and 2006. These ships may be different designs built in different yards. The Navy will evaluate both ships and will then make a decision on the remainder of the Littoral Combat Ship (LCS) flights. Flight 1 LCS ships are scheduled to start construction in fiscal year 2008.

QUESTION SUBMITTED TO GENERAL MICHAEL W. HAGEE

QUESTION SUBMITTED BY SENATOR KAY BAILEY HUTCHISON

Question. I am concerned we take all measures necessary to prevent a recurrence of Gulf War Syndrome now that our troops are in Iraq. One way is to medically assess our troops before they deploy to establish a health baseline. What percentage of Marines had a health baseline established before they deployed to Southwest Asia? What percentage of our personnel was pre-screened (with a health survey) before deployment?

Answer. Pre-screening is required per Department of Defense Instruction (DODI) 6490.3 for personnel deploying out of CONUS for more than 30 days. The screening form is completed by the Marine or Sailor and kept in his/her medical record for future reference. DODI 6490.3 included no reporting requirements to higher headquarters. Because a centralized reporting requirement did not exist, the percentage of personnel who deployed to participate in Operation Iraqi Freedom and who were pre-screened is unknown at this time. On April 23, 2003, the Under Secretary of Defense for Personnel and Readiness issued a directive Memorandum, stating new reporting requirements for both Pre- and Post-Deployment Surveillance. The new guidance requires the Services to conduct and track post-deployment health surveys for all personnel who were involved in Operation Iraqi Freedom. On May 1, 2003, Health Services, HQMC, released a message to Marine Corps units identifying the new requirements and providing further guidance. In addition, The Medical Officer of the Marine Corps, in conjunction with the Naval Bureau of Medicine and Surgery, is developing a comprehensive plan to conduct required surveys and monitor compliance.

SUBCOMMITTEE RECESS

Senator INOUE. The next scheduled subcommittee meeting is Wednesday, April 9. At that time we will receive testimony regarding the activities of the Missile Defense Agency.

Thank you very much, and the hearing is recessed.

[Whereupon, at 11:35 a.m., Wednesday, April 2, the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, April 9.]